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Public
Administration

— an international quarterly

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REVIEWS

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EUROPE AND BEYOND

Public Administration has never had a myopic concern with British public administration. It has always looked outwards, at first towards the Commonwealth but latterly towards Europe. 1992 is said to herald a new era. Whatever the effects on British government and industry, 1992 will be a year of change for the journal because there will be a significant increase in its international content.

Over the past few years, successive editors have made a determined effort to carry one non-UK article per issue. The policy has been successful and 1992 is the symbolic moment at which to further strengthen this international dimension. The key change is an increase in size for the second year, this time from 576 pages to 640 pages per annum (or from 144 pages an issue to 160 pages an issue). As a result, the journal can continue to publish four major academic articles an issue and also include a new section, entitled 'Comparative and International Administration' which will contain two articles an issue. The journal's title has been modified in recognition of this change. The front cover now carries the sub-title 'an international quarterly'.

The expansion of recent years means that the journal now has two major sub-sections and in order to cope with this ever increasing workload, the editorial team has been expanded. Rod Rhodes remains the editor with overall responsibility for the journal and he continues to look after the main articles. He is now joined by Dr Bill Jenkins, who is responsible for 'Public Management', and Professor Jens Hesse who is responsible for 'Comparative and International Administration'.

Bill Jenkins is already a familiar figure to many readers of this journal and he has been an active member of the Royal Institute of Public Administration for many years, contributing to various RIPA publications and research initiatives. He is a Senior Lecturer at the University of Kent and Co-Director of the Public Sector Management Unit at Canterbury Business School. His primary research interest is public sector management in both central and local government. Along with Andrew Gray, he has worked on programme evaluation (PAR), the Financial Management Initiative (FMI) and the Next Steps and Agency initiatives. His major books include *Policy Analysis* (1978); (with Andrew Gray, eds.), *Policy Analysis and Evaluation in British Central and Local Government* (1983); and (with Andrew Gray), *Administrative Politics in British Government* (1985). He was a member of the South East Kent Health Authority between 1982 and 1990 and he has acted as a consultant for various public sector bodies, including the Civil Service College, the National Audit Office and individual local authorities.

Jens Hesse is the Ford-Monnet Professor of European Institutions and Comparative Government at the University of Oxford and Director of the Centre for European Studies, Nuffield College, Oxford. Formerly, he was Professor of Administrative Science at the German Postgraduate School of Administrative Science, Speyer. His extensive publications include: (with Th. Ellwein, eds.), *Das Regierungssystem der Bundesrepublik Deutschland* (6th ed. 1987); and (ed.) *Local Government and Urban Affairs in International Perspective* (1991). Currently he is also the editor of *Staatswissenschaften und Staatspraxis* and joint editor of

The Year-book of Government and Public Administration. He has served as an
academic adviser to a number of national and international bodies producing reports
on public sector reform, departmental reorganization, regional and industrial policy
and the comparative study of federalism and regionalism. In short, *Public
Administration* can now call upon the services of one of the most distinguished
scholars of Public Administration in Europe.

The composition of the Editorial Advisory Board has also been revised to coincide
with the other changes to the journal. It had been agreed already by the board
that its members would be appointed for a three-year period. As a result, Christine
Bellamy (Nottingham Polytechnic), Brian Hogwood (University of Strathclyde)
and Helen Wallace (Royal Institute of International Affairs) are all standing down.
The board has been increased in size from eight to twelve members and the
additional appointments have been made to support the new editors. Thus, A. W.
'Sandy' Russell (HM Customs and Excise) will join Sir John Bourn (National Audit
Office) and Michael Clarke (Local Government Management Board) in advising
on 'Public Management' articles. Similarly, John Nethercote (Royal Australian
Institute of Public Administration) and Johan P. Olsen (Norwegian Research Centre
in Organisation and Management, Bergen) will join the board to advise on
'Comparative and International Administration' articles. Finally, Geoffrey Fry
(University of Leeds), Grant Jordan (University of Aberdeen) and Elizabeth Meehan
(Queens University, Belfast) will advise on the main articles section.

The details of these various changes are less important than the change in
direction which they are supporting. The journal market has been stagnant. Many
journals have experienced a substantial decline in circulation. Relatively, *Public
Administration* has fared well and been able to maintain its circulation. However,
there have been few, if any, opportunities for growth. 1992 provides one such
opportunity. The present changes are an attempt to increase the circulation of the
journal in the European market.

Public Administration's role as a journal of record for British Public Administra-
tion will continue undiminished; there will be no reduction in the number of main
articles. The relevance of the journal to practitioners will be enhanced by the
expanded 'Public Management' section with its own editor and board members.
The new market opportunities will be seized by creating the new section on
'Comparative and International Administration' under the leadership of Jens Hesse.
This kind of diversification is essential if the journal is to appeal to all sections
of its readership and expand into new markets. There is also one final hope; that
a more diverse journal will be increasingly attractive to *all* readers. As the member
states of the European Community seek ever closer forms of cooperation, as Eastern
Europe develops new governing institutions, the journal can play a key role in
informing practitioners and academics alike about developments in public
administration throughout Europe, west and east. There is no point in setting out
in a new direction unless it provides a challenge. Developments in Europe in the
1990s provide just such a challenge.

RAWR

PLANNING AND CONTROLLING PUBLIC EXPENDI-
TURE IN THE UK, PART I: THE TREASURY'S PUBLIC
EXPENDITURE SURVEY

COLIN THAIN AND MAURICE WRIGHT

The Treasury's annual survey of public expenditure is the central element in planning and controlling public expenditure. While its purpose remains similar to that in the 1970s, the principles governing its preparation, the methodology employed and the conduct of negotiations between the Treasury and the departments have changed with successive attempts to control both the total and programme allocations more effectively. This article examines and explains the process of preparing the survey, through the main stages from the decisions about the size of total public spending in the context of the government's macroeconomic strategy to the announcement in the Autumn Statement of the planned totals and allocations for the next three years and finally to the publication in February of the departmental Public Expenditure Chapters. Part II [Summer issue] analyses the effects and effectiveness of the survey processes, and discusses whose interests have been best served.

It is now thirty years since Plowden reported that 'decisions involving substantial future expenditure should always be taken in the light of surveys of public expenditure as a whole, over a period of years, and in relation to prospective resources'. There has been an annual survey of public expenditure every year since, and a Public Expenditure White Paper published annually since 1963 (Cmnd. 1963). The development of the Treasury's system of planning and controlling public expenditure over that period has been for the most part gradual and progressive, the result of practical experience and opportunism (Thain and Wright 1991a). But that evolutionary process has been punctuated by periods in which the system has responded to external shocks and crises, such as devaluation in 1967, and the crisis of control in the mid-1970s, and to changed political and economic objectives such as those of the Conservative government in the early 1980s.

The introduction of cash planning in 1983 is a turning point in the development of the survey. Prior to the accession of the Conservative government in 1979, both parties in office shared the same aim: to plan the growth of public expenditure in real terms; both experienced frustration in periods of economic and financial difficulty when it became necessary to make cuts in planned totals. While the

Colin Thain is a Lecturer in Politics at the University of Exeter. Maurice Wright is Professor of Government at the University of Manchester.

introduction of cash limits in 1976 represented a departure from previous practice, and re-asserted the need to control monetary aggregates, the system remained recognizably that which had evolved over the previous decade, designed to produce medium-term resource-based plans. That system proved incapable of delivering the Conservative government's changed political objective of cutting public expenditure in real terms. There were of course other factors why the government was unsuccessful in the period 1980–2, but the indexing of inflation in the public sector through the use of constant price measurement and the relative price effect was held to be an important contributory factor.

These and other changes, such as the introduction of the annual Medium Term Financial Strategy (MTFS), the abolition of centrally determined pay factors, and the separation of programme and running costs expenditure, mean that the processes for planning and controlling public expenditure through the survey are now very different from those described by Heclo and Wildavsky in the 1970s (Heclo and Wildavsky 1981). the purpose of Part I of this article is to describe and explain those processes, to show how decisions about the size of total public expenditure are made in the context of the government's macro-economic strategy, and to explain how Whitehall departments bid and negotiate with the Treasury for additional resources. We focus mainly but not exclusively on the Treasury, and are less concerned with the preparations for the survey within the spending departments. Elsewhere we have dealt both with those and with the departments' relationships with the Treasury (Thain and Wright 1991b). Nor do we deal specifically with the Treasury exercise to determine the aggregates of local authority expenditure which take place in the period May–July. This is not strictly a part of the survey, although the outcome does have consequences for the subsequent negotiations with the DOE and other departments over programme expenditures.

In Part II we analyse the effects and effectiveness of the survey processes to establish whose interests have been best served. In this article we begin with an outline of the main stages in the annual cycle.

THE SURVEY PROCESSES

The Public Expenditure Survey 'is a marathon exercise. It is not simply the period of negotiation in September and October, though that feels long and gruelling enough. In truth the Survey process is almost a continuous one. As one ends, the next is being planned. Frequently, one set of negotiations will end with an understanding to review a particular area of policy' (John Major, when Chief Secretary to the Treasury, in Major 1988, p. 6).

The Survey Guidelines

The survey is conducted each year according to agreed *Guidelines* which provide the procedural context within which substantive issues can be discussed and negotiated between the Treasury and spending departments. The agreed *Guidelines* are approved by Cabinet at its March meeting. Dispute at that stage is rare, ministers having been briefed by their Principal Finance Officers (PFOs) at the draft stage, when any problems can be discussed with Treasury officials.

TABLE 1   The main stages of the Public Expenditure Survey

January/February:	Treasury post-mortem on previous survey. Similar exercise in departments. Treasury begins work on *Guidelines* for next survey.
March:	Draft *Guidelines* agreed by departments and approved by Cabinet. MTFS and Budget documents published confirming spending totals agreed in the previous Autumn Statement. MTFS provides the basis for the overall 'expenditure judgement'.
March/April:	Treasury and departments revise and agree base-line expenditures for the next three years.
May/June:	Departmental ministers bid to Chief Secretary for resources additional to that provided by base-line. Period of 'shadow-boxing' as Treasury and departmental officials clear the ground for negotiations between Chief Secretary and ministers on their bids.
July:	Cabinet decides whether or not to confirm planning total for coming year as set out in the previous Autumn Statement, and charges the Chief Secretary with reaching agreement with departments on their bids within the envelope. Formal decision on setting up of Star Chamber, Prime Minister decides its chairman.
September/October:	Ministerial bilaterals.
October/November:	Star Chamber convened if necessary to deal with outstanding differences between Treasury and departments.
November:	Cabinet meets and hears reports from Chief Secretary and/or Chairman of Star Chamber on results of deliberations. Cabinet approves settlements made in Star Chamber; resolves outstanding differences; and agrees survey figures.
November:	Results of survey exercise published in Autumn Statement.
February:	Departmental public expenditure plans published in separate volumes jointly presented to Parliament by the Chief Secretary and the relevant minister. These provide a detailed breakdown of the outline plans previously presented in the Autumn Statement and incorporate unavoidable changes in programmes since the autumn. The Treasury produces a Statistical Summary to accompany the 19 individual departmental volumes.

The *Guidelines* include rules about the technical preparation of the survey – for example, the procedures for up-dating Treasury computing of base-line expenditures. In addition, they specify the form in which departmental returns must be framed, and the timetable for the conduct of the various stages of the survey. Guidance may also be given on the information required to accompany the minister's bid for resources. He may be required to review his programme(s); to indicate new priorities, and to explain how and why he has re-ordered old ones. He may also be required to provide value-for-money and output data in support of the bid, and advised how this should be done.

Since the abolition of pay factors and the introduction in 1986 of a separate control regime on the running costs of central government departments, departments make their own pay assumptions and submit data in support of their conclusions. The survey *Guidelines* may make reference to the procedures to be adopted for dealing with pay in the bids, but there is no guidance on a central pay assumption.

These early Treasury-departmental exchanges are regarded as essential if the survey is to proceed smoothly through all its stages. The Treasury aims to minimize the possibility of problems arising later due to a misunderstanding of what was required, when, and in what form. The 1989 *Guidelines* had an additional significance in that they recorded previous agreements about how local authority elements were to be treated in the new survey following the introduction of the new planning total.

PESC

In drafting and discussing the *Guidelines* with the departments, the Treasury no longer makes use of the Public Expenditure Survey Committee, whose acronym came to symbolize the whole of the process of planning and controlling public expenditure. As an inter-departmental committee of PFOs chaired by a senior Treasury official, PESC had long ceased to play a central and crucial role in the planning of expenditure, as it did in the 1960s following the implementation of the Plowden report. Nor for some time has it played the role described by Heclo and Wildavsky (1981) of agreeing a report on the projection of the costs of existing policies. As a committee, it continued to meet under the chairmanship of a Treasury Deputy Secretary until the early 1980s, with the task of overseeing the survey, and discussing the PESC report comprising base-lines plus bids prepared by the Treasury. It was however abandoned in the mid-1980s as a 'waste of time'. In effect the report had become a preview of the survey material, but couched in language bland enough to make it sufficiently acceptable to all the departmental PFOs to ensure an agreed report. Agreement on substantive issues was unlikely as departments preferred to reserve their positions until later in the (then) PESC round. References to PESC have disappeared from Treasury descriptions of the planning process (HM Treasury, 1986; 1988); while 'the survey' has replaced 'PESC' as the insiders short-hand for the system of planning and controlling public expenditure as a whole.

PESC no longer meets as a collective. With some 200 names, including the PFOs

of all the main departments, 'it is no more than a circulation list' for Treasury instructions and advice on the conduct of the survey. An 'Inner PESC' comprising some twenty or so PFOs of the main spending departments does meet informally on an *ad hoc* basis, perhaps four or five times a year, but it is in no sense an 'inner cabinet' discussing issues of high policy. It meets as the occasion warrants mainly to discuss issues of common concern connected with the conduct of the survey.

The 'Expenditure Judgement'

Decisions about the size of planned public sector spending, and within those totals, on the individual and departmental programmes, are made partly as a result of the determination of what can be afforded in the light of other demands on the economy, and partly reflexively in response to the bids for resources made by the Whitehall spending departments. Since 1979, what can be afforded in total is theoretically decided after consideration of what resources are available: that is to say, 'revenue determines expenditure'. On that basis, the total of public expenditure is a residuum, determined after judgements have been made about the politico-economic strategy necessary to defeat inflation: for example, the appropriate level for the supply of money in the economy, the amount of likely revenue from direct and indirect taxation, and the borrowing needed to finance the difference between projected levels of taxation and expenditure.

Apart from the practical difficulties of targeting and controlling the supply of money, and predicting the buoyancy or otherwise of taxation and hence the level of borrowing required to finance a deficit (or sustain a budget surplus), decisions about taxation are taken in practice after levels of public expenditure have been decided upon. Attempts over the years to bring the planning and decision-making on taxation and expenditure together have foundered on the reluctance of the Treasury to commit itself to even provisional decisions as early as the Autumn Statement in November, on the argument that proposals made at that time would have to be changed by the time of the March Budget. Thus the total of public expenditure is decided upon in the absence of even an outline plan of revenue (Treasury and Civil Service Committee Report 1988), apart from the medium-term projections in the MTFS published six months earlier.

A further limiting factor to the implementation of the concept that 'revenue determines expenditure' is that pressures for additional public expenditure arise each year, almost regardless of what can be afforded. Of course the government could decide not to allow any additional resources: in practice such a decision would be extremely difficult to implement, even in those circumstances where the reduction of public expenditure is willed as economically and politically necessary. In principle there is no reason why any given quantum of public expenditure should be regarded as committed and 'inescapable'; but in the absence of comprehensive and regular zero-based budgeting, and the political difficulty of getting departmental ministers to agree to the surrender of entrenched entitlements, base-line expenditures will tend to push planned public expenditure upwards. However, the base-line is not inviolable, and pressure may not be inescapable or always upwards. Downward

pressures may arise from programmes where expenditure is declining, for example social security and training programmes when unemployment is falling. Or, where ministers volunteer reductions when a programme or its priority is changing.

In practice then, decisions about the total of public expenditure are made partly as a result of what is considered economically justified or rational, and/or politically desirable or necessary; and, partly as a response to continuous pressures for more and less public spending. To over-simplify: while the political and economic strategy of the government collectively may dictate less public spending, and the Treasury acts as a restraining force on the upward progression of spending, the strategies of departmental ministers representing a variety of different pressures will normally dictate additional public spending. The survey is the public expression of the resultant of the tensions and collisions of the macro-politico-economic strategies of the government of the day represented by the Chancellor's judgement, and the meso-politico-economic strategies of individual ministers in Whitehall spending departments.

The base-line
The decision on 'what can be afforded' in any future year, is derived from immediate past decisions: 'what was afforded last year' (and currently being spent), and what was planned to be spent in the two years ahead. The base-line for the latter two financial years, years 1 and 2 of the new survey, is the total planned expenditures shown in the last Autumn Statement together with any changes announced since its publication. The government now has to decide by what amount the projected total for the new year 3 should be increased to take some (but in practice not the full) account of the likely movement in pay and prices. Since the introduction of cash planning in 1982–3, there is no automatic revaluation of planned totals to reflect the actual movement of pay and prices in the previous financial year; nor any attempt to predict and provide in the future for the actual movement in these items. In recent years, the practice has been to revalue on the basis of the GDP deflator used in the Medium Term Financial Strategy (MTFS) (itself a political statement, since the government wishes to under-estimate inflation) minus an assumed 'efficiency' gain of about 0.5 per cent. It need not however follow such a course. Uplifting the year 3 base-line by the full amount of inflation creates a bias against the Treasury. If it wished to avoid the real growth of expenditure overall, the Treasury would have to negotiate money away from low priority departments in order to give more to those with a higher priority.

Not providing fully for inflation in the general uplifting allows for reallocations between programmes and the possibility for some programmes to grow faster than inflation. Not all departments will need to be given full allowance for inflation; some will need more. Such factors are then the stuff of the subsequent negotiations when the bids are made. On demand-led programmes like Social Security separate forecasts are made of what is likely to be spent. But the base-line for each is established in the same way by applying the 'uplift-factor'. The difference between the base-line figure and the forecast is treated as a bid in the survey. The calculation of the base-line will therefore affect how the Treasury subsequently looks at

departmental bids. In a cash-based public spending regime there is no presumption that a department will be automatically compensated for inflation.

The base-line totals for three years ahead are the old plans rolled forward and represent the cash costs of continuing the present policy commitments. Any policy changes made since the publication of the Autumn Statement and the MTFS are not included in the base-lines but incorporated as an agreed part of the appropriate departmental bids for additional resources in the new survey round. The totals may be 'unaffordable', in the sense that they may be inconsistent with assumptions made about the PSBR (Public Sector Borrowing Requirement) or tax levels; or with the government's general policy stance on public expenditure. The Chancellor may advise that less should be 'afforded' than those totals suggest. This has been a common reaction of the Conservative governments in the past decade, with the totals for future planned expenditure set lower than those for present and past spending, without much indication of how the historic trend of rising expenditure was to be halted or reversed.

Establishing the base-line for the three years of the survey is then at the outset an automatic, computer-based exercise, recording the updating of planned expenditures in the previous survey and the new year 3. But even base-line expenditure has to be justified; there are no inescapable commitments. The *Guidelines* will have instructed departments to provide data on the base-line calculations by April so that the Treasury computer can be updated. The Treasury's General Expenditure Policy Division (GEP) will have also agreed with Expenditure Divisions the general output data on base-line expenditure which departments are expected to provide. As well, individual Expenditure Divisions will have relayed special requests to their own departments. These output data provide the means to check whether departments have met the expenditure targets agreed with their Expenditure Divisions in earlier surveys. Departments are required to explain how the agreements struck last year have begun to feed through into output. They have to indicate what they expect this base-line expenditure to produce in the way of outputs. This information is used subsequently by the Treasury to evaluate bids for additional resources and claims of value-for-money. The base-line output data become the 'base-line of output measures' for the bids. Expenditure Divisions may use the data instrumentally to have a go at the base-line if it is thought that base-line expenditure 'on the ground' has been less effective than expected.

The Budget, normally presented in March, provides further up-dated information about prices, revenue, growth, unemployment and interest rates but it does not lead to recalculation of the base-line. It may however, affect departmental bids for additional resources above the base-line later on, and the attitude of the Treasury towards them in the bilaterals.

Bidding for additional resources

Once the base-line has been established, departments are notified by the Treasury of the agreed figures for the 'nine-year spread' (five past years; the current year; and three forward years). They then bid for additional resources for the coming year, as well as for the two succeeding years. Most of these bids will have been

the subject of continuing discussions between the departmental Finance Divisions and Treasury Expenditure Divisions throughout the year. Agreement may have been·reached some time before the base-line has been established. The nature of the bids will reflect a variety of different pressures. There are at least five sorts of pressure. First, additional resources might be required to finance a new policy already agreed by government (through Cabinet or cabinet committee). Secondly, additional resources might be requested to finance the extension of an existing programme, the costs of which might be the subject of continuing negotiation between the Treasury and the department concerned. Thirdly, additional resources might be requested to maintain an existing level of service. Here the argument might turn on the ability of the department to improve efficiency sufficiently to compensate for say, higher than allowed for costs of non-pay items. Fourthly, additional resources might be requested to provide for a larger clientele or increased demand for a service,ʹ greater than that estimated in base-line calculations. Fifthly, occasionally a request might be made for resources for a new programme. Although in practice these requests fall early in the subsequent negotiating process, they may provide a department with a useful bargaining device.

The one exception to this process is the way in which the spending of the territorial departments is handled by the Treasury. Over 90 per cent of the spending under the responsibility of the Secretaries of State for Scotland and Wales, and over 50 per cent of the spending of the Northern Ireland Office and departments is allocated through formula mechanisms. The Scottish Office receives 10/85ths of the increments obtained in comparable programmes by the English/UK functional departments (such as Health, Transport and Education). The Welsh Office receives an increment of 1/17th and Northern Ireland 2.75 per cent of comparable programmes (see Thain and Wright 1991c). The formula dates from 1978-9 when Barnett was Chief Secretary and relates to the population of the territories relative to that of Great Britain as a whole. As a result of this unusual resource allocation system, the bilaterals between the Chief Secretary and the respective territorial secretaries of state take place at the end of the autumnal process after the other functional departments have settled.

'Shadow-boxing'

The territorial departments do make separate bids but only for relatively small programmes, with the Scottish and Welsh Secretaries, for example, bidding for industry and trade programmes; employment programmes in the territories are covered in a bid by the Employment Department and resources are divided on the basis of a formula relating to indicators of unemployment and training course takeup. All three secretaries of state bid jointly with the Agriculture Minister for UK-based agricultural programmes. All other departments bid separately‚to the Chief Secretary for the whole of their programmes. The bid letters from the secretaries of state arrive in the Treasury some time in May. The main purpose is to outline the 'big numbers' of the bid, and to provide the secretary of state with the opportunity to state and explain the political reasons for the priorities of his proposed spending. Normally most of the issues raised in the letter are

predictable and no surprise to the Expenditure Division (ED), related to subjects which are 'very much in play'. Any new issue or emphasis in the letter will have been signalled elsewhere, in an earlier communication with the ED or for example in ministerial speeches or statements. Particular kinds of information prescribed in the *Guidelines* may be included in the bid letter, or more probably provided by the department's Finance Division in more detailed letters to the ED which accompany it.

Copies of all the bids and the accompanying letters are received by the Treasury's General Expenditure Policy Group who maintain a 'scorecard', updated weekly as the bids are examined by them before and during the ministerial bilaterals. After all the bids are in, GEP prepares an initial statement for the Chief Secretary together with a brief commentary on each bid of what the Treasury had expected. Early on GEP officials will have preliminary discussions with each ED to get a feel for the likely outcome of the negotiation over each bid, and hence the possible outcome for total planned expenditure for the three years. The Chief Secretary thus has an overall picture of what may happen from the outset. As the process of discussion between EDs and departmental Finance Divisions gathers pace in the run-up to July Cabinet. and the subsequent bilaterals, there is continuous communication between GEP and EDs to enable the former to keep abreast of 'the state of play' on each bid and to brief the Chief Secretary accordingly.

From its central position, GEP is well placed to form a view about what is happening across all 18 Expenditure Divisions, and to detect common themes and threads running through the aggregate of the bids. At the same time it is able to provide EDs with an indication of the Chief Secretary's general stance, and the development of his thinking in reaction to the 'scorecard', progress in the EDs, and GEP's commentaries and assessments. GEP prepares for the Chief Secretary an assessment of inescapable bids, an outline of bids agreed already, for example as a result of policy commitments since the last Autumn Statement, advises what room for further manoeuvre remains, and how all this fits in with the overall targets for public expenditure.

The period of shadow boxing between each ED and the Finance Division of its department continues until Cabinet meets in July to decide the expenditure totals for the next three years. Bids are never settled at the official level as a result of discussions between the departments. The purpose of this process is to enable both sides to brief their respective ministers for the bilateral negotiations, the formal expression of which is ·the preparation of an agreed 'agenda letter' which the Treasury despatches to each secretary of state by the end of August. The aim of the discussions at the official level is to clear as much of the 'undergrowth' as possible in order that their respective ministers have a clear, agreed agenda: to expose the issues; to agree the implications of the expenditure figures contained in the bid; to make sure that the Treasury has all the relevant information, or to confirm that that information was not available to the department. From the Treasury's point of view, it is essential that both sides agree on the salient figures, and the main points of difference between them, so that the ministerial bilateral is a meaningful exercise. Treasury officials will probe for weak points in the department's

case so that they can produce a comprehensive brief for the Chief Secretary, and help him compose the Treasury's formal response to the bid in the 'agenda letter'. The intention of the sparring in the 'official bilaterals' is not to resolve the outstanding issues, but rather to separate the significant from the peripheral.

'Clearing' may begin with the ED first 'examination paper' of questions to the Finance Division about the way they relate to the information provided by the department in compliance with guidelines, for example about pay, output data, and value-for-money. The ED may earlier have identified 'soft bits of the baseline' and may make some of these in its response to the bid letters. If agreed with the department, such off-sets may release savings which can help to finance increases elsewhere in the bid. The ED may also ask the department to cost various options for reduction, although it may not intend to run all or any of them later in the ministerial bilaterals. The purpose may be to feel out the department, and to assess whether any of them are worth running as full-blown options later on. Probing and responding, pushing and pulling are essential ingredients in the process of seeking more information which may be useful to both sides in the subsequent negotiations. It also enables the Treasury to explore weak parts of an argument, and to test the department's commitment. Both sides are anxious to avoid the possibility of dispute later in the bilaterals on issues which can be clarified at this stage. Communication between ED and the Finance Division, by letter, phone and meeting, is continuous.

In preparation for the July Cabinet GEP prepares for the Chief Secretary a paper summarizing the bids for additional resources. It will incorporate inputs from each ED relating to specific bids, and these will have been cleared and agreed with the department. The purpose is to provide Cabinet with a neutral description of each bid in uncomplicated language based on items of programme expenditure. There may be some discussion or even argument with the department about how a bid should be described, but this relates to emphasis and nuance rather than substance. In a separate paper to Cabinet, drafted by GEP in liaison with the Second Permanent Secretary (Public Expenditure), the Chief Secretary comments on the bids, drawing upon material from the EDs. The general context for Cabinet's discussion of the implications of the aggregate and the bids for the total of expenditure is provided by a paper on the general economic outlook presented by the Chancellor. Together with the Chief Secretary he will advise Cabinet on the appropriate limits for public spending in the next three years.

The framework of the MTFS and the planning totals from the previous Autumn Statement provide the basis of their advice. John Major, when Chief Secretary, told the Treasury and Civil Service Committee that 'at that stage we either decide that we will reaffirm the planning total that was agreed in previous years, which has often been the case, or perhaps we decide something different' (Major in Treasury and Civil Service Committee 1988, p. 16). In 1987, 1988, and 1990 the government did re-affirm planning totals. However, the Chancellor's economic strategy may dictate 'something different', as may consideration of what would be politically desirable, as happened in the 1986 Survey in the run-up to the 1987 General Election. A leaked exchange of letters between the Chief Secretary, David

Mellor and Michael Howard the Employment Secretary in the 1991 Survey round showed the difficulty of maintaining this stance in a recessionary pre-election period. The Chief Secretary reminded his colleagues that Cabinet agreed at a meeting in May 1991 that 'if we are to preserve ▓▓▓ ▓nctive reputation for financial discipline and avoid the prospect of signifi▓▓▓ ▓ in ▓x rates or borrowing next year, we must keep any increase in a▓▓ ▓urrent plans to the absolute minimum'. The limit set is usually▓ ▓aggregation of the base-line and the additional bids. It is not immo▓▓ ▓t is taken to represent the desirable total towards which the Treasury ▓ ▓o move the departments. In the end the Cabinet will have to decide how ▓▓ an approximation will be acceptable. In practice, even where the Cabinet agrees to maintain the 'bottom-line' planning total, the sum total of all excess bids may, even after the hectic activity of the autumn, breach this figure, as happened in 1990. The Treasury nevertheless hopes to gain cabinet agreement anyway to maintain (or even reduce) the planning total figure as a symbolic first victory in its attempts to restrain the growth of expenditure.

The bilaterals

The Cabinet having agreed the aggregate total for the year ahead, the Chief Secretary and his Treasury advisers have now to try to deliver to it that total. At the same time the Treasury will be discussing provisional figures for years 2 and 3.

At the end of July, the Chief Secretary puts into effect the Cabinet's commission to him to attempt to get as close as possible to the affirmed planning total by writing to each department in response to their bids – these are the 'agenda letters'. He also suggests where savings and offsetting reductions might be made to accommodate bids for additional resources. In the 1991 Survey the Chief Secretary was particularly tough asking his colleagues to 'look hard not only at their bids, but their baselines as a whole, in order to eliminate net bids on discretionary programmes'. The leaked exchange of letters in September 1991 showed that the Employment Department bid for an extra £700 million whilst the Chief Secretary in his 'agenda letter' had proposed savings of £345 million. There is no attempt to compare and offset increases and reductions in different departments in the flurry of letters between the Chief Secretary and his cabinet colleagues.

Bilateral negotiations begin in September. The aim is to resolve those differences which remain outstanding from the earlier discussions of the bids between Treasury officials in the Expenditure Divisions and those in the finance and policy divisions of the spending departments. Not all departments are involved; some bids will have been settled without ministerial intervention, and, on occasion, a late compromise by a minister in accepting off-setting reductions or withdrawing a bid altogether will remove the need for further discussions. Those bilaterals which do take place are conducted between the Chief Secretary on the one hand and a departmental minister or ministers on the other. The Chancellor is very rarely brought into the discussions. Since 1976 formal appeal over the head of the Chief Secretary to the Chancellor has been inadmissible. In practice, relationships are not regulated as formally as this implies. While there is a strong presumption that the Chief

Secretary's decision will not be overturned, the Chancellor might see a spending minister and discuss it informally with him.

The first meeting is normally very formal, with a large attendance. The Treasury's representatives, besides the Chief Secretary, include either the Second Permanent Secretary with responsibility for expenditure, or one of his Deputy Secretaries, who between them have responsibility for individual programmes and see each negotiation through to conclusion. Treasury Under Secretaries with responsibility for an expenditure, social services, and home, transport and education, for example, attend as appropriate, together with those Heads of Division (Assistant Secretaries) and the principals who together have responsibility for particular programmes within a group. In addition, a representative from GEP will attend, together with those from the Treasury territorial division. On the other side, the departmental representatives include the secretary of state, the minister of state concerned with the programme(s) under discussion, and the Permanent Secretary and senior officials from the Finance Division. Representatives from the territorial departments will often attend, and at the Permanent Secretary level.

At the first formal meeting the secretary of state will outline his bids, and the Chief Secretary will make formal comments in reply. Some discussion and haggling may take place, but the real negotiations will begin at the second, smaller bilateral. There may be several meetings between the Chief Secretary and the minister before an agreement (or impasse) is reached. Few meetings are shorter than three hours; in 1988 several went on for longer than five. The most protracted 'involved six separate meetings of an average of three hours each' (Major in Treasury and Civil Service Committee, 1988a, p. 21). The attendance and format varies. It may comprise small groups of officials on both sides; the Chief Secretary and an official might talk to the secretary of state and his official, sometimes for an hour or more. On occasion the two ministers might have a *tete-à-tete*, with officials from both sides sent away to discuss and report back. (The coincidence of the bilaterals with the Conservative Party Conference means that some of these meetings often take place in hotel bedrooms.) The notes of such meetings and the agreements reached can be long, complex and themselves the subject of further discussion between the Treasury and a department.

What kinds of arguments are deployed in those negotiations? How are they conducted? In the process of continuous discussions throughout the year with departmental Finance Divisions, the Treasury Expenditure Divisions will have built up a picture of what the department is trying to do and how well it is doing. Its programmes will have been subjected to scrutiny, analysis and evaluation. The process is a continuous one. As one survey ends 'the next is being planned'. There may have been an 'understanding to review a particular area of policy', and this will be put into operation. 'By the time the Survey negotiations begin, a great deal of material will have been assembled on how policies are working and on the options for change' (Major 1988, p. 6). Since there are relatively few Treasury officials in the Expenditure Divisions to cover the range of spending, and a pro-portionately greater number of 'spenders', the Treasury has to be selective in the areas of expenditure to be scrutinized in this way.

The department's bid is calculated in cash. It will comprise requests for additional resources for some of its programmes; for others it will offer reductions where it estimates a lower level of provision is required, or where the service is being cut back or scaled down in accordance with a policy decision. It may volunteer savings on some programmes which through to be less cost-effective. The Treasury expenditure controllers will to cuts in the 'soft' part of the base-line in order to make room for extra resources. Over the past few years, the Treasury has obliged departments to achieve annual gains in productivity; for running costs this has been minimum of 1.5 per cent, although the Treasury presses for greater gains where feasible (Thain and Wright 1990d). The amount requested by the Treasury will vary from department to department. In bidding, departments will be expected to provide evidence of such efficiency gains. In its scrutiny the Treasury will encourage them to set more ambitious targets. Signs of poor departmental efficiency or inadequate programme performance appraisal make it easy for an expenditure controller to find a weakness in a bid and brief the Chief Secretary accordingly.

The relative price effect

In the discussion of departmental bids, both before and at the time of the bilaterals, departments may try to support their bids for additional resources by providing evidence of the effects of differential price increases on their programmes. Since 1982, the Treasury's aim has been to switch attention and emphasis in the planning of expenditure from inputs to outputs. One important consequence of that change was the abandonment of the principle of the relative price effect and attempts to measure and provide for it in the allocations to departmental programmes. Time and again, Treasury ministers and officials have insisted that the relative price effect was flawed methodologically, and inappropriate in practice to a cash planning regime: attempts to measure the differential effects of inflation on departmental programmes failed to take account of gains in productivity, efficiency and the quality of a service. If the effects of inflation were compensated in full, there was less incentive for programme managers to produce the same output with fewer resources. As many departments were in a monopsonist position, they could dictate or influence the prices they paid for goods and services, rather than passively accept the levels set by suppliers.

Since the abandonment of volume planning in 1982, it was suspected but difficult to prove that departments continued to collect data about the movement of the prices they paid for the supply of goods and services for individual programmes, and used such data to construct price-indices for their programmes. This was never admitted publicly, but it was suspected that 'volumes had gone underground' (Pliatzky 1983). The Treasury conceded only that some departments might make 'own-cost' calculations for their internal use. It denied that they were used in discussions or bilaterals between the Treasury and the spending departments.

In practice, the position is not quite so clear cut. First, it is now admitted that a number of departments construct 'programme specific price indices, or figures for expenditure deflated by such indices.' (Treasury and Civil Service Committee

1988, appendix 3). These are of three kinds: commodity-input price effects; programme-wide input price effects; and, output unit costs. The Treasury encourages departments to collect information on commodity prices and their effects in order to monitor the efficiency of their purchasing arrangements. It also encourages them to collect data on them. It is, however, sceptical about the validity and value of programme-wide input price data, although three departments, the Ministry of Defence, the Department of Health and the Department of Education, helped by the CSO (Central Statistical Office), collect and publish such data. Such data on programme-wide relative price effects is held to be worthless by the Treasury. It argues that programme-wide input-price data is disparate, mixing the very different price effects of several different kinds of expenditure. Input-data is useful only if the commodity stays the same over time, which is not the case with the three departments mentioned above. But as one Chief Secretary acknowledged to the Treasury and Civil Service Committee (1988a, p. 19): 'if you ever conduct a public expenditure discussion it is pretty impossible to stop your colleagues discussing what may best suit their argument.' They argue that 'there are relative price effects that involve extra expenditure for their budgets' (p. 24). He confirmed that data on commodity-input prices and output unit costs may in certain circumstances be admissible in negotiations, and that occasionally arguments marshalled and deployed by departments relating to the relative price effect 'are compelling for one reason or another and the cash settlement tends to reflect that' (p. 24).

Not only is the Treasury prepared on some occasions to adjust cash allocations to particular programmes to accommodate relative price effects, it is also prepared to compensate departments retrospectively for the adverse effects of such price movements. The Chief Secretary, asked by the Treasury and Civil Service Committee what his response would be to a minister who argued that he had been unable to carry through a particular programme agreed between himself and the Treasury because the inflation assumption provided in his cash allocation had proved incorrect, replied:

> Sympathetic to the extent that I would be prepared to admit that as an argument during our discussion and would not regard it as wholly offside, but not to the extent that I would automatically cede up the loss the Secretary of State felt he had suffered in the previous year. I would regard that as a legitimate matter for the Secretary of State to raise with me, but I would not automatically accept it as a claim I would have to necessarily meet in the public expenditure negotiations. That would depend on the resources available to meet it, the relative priority and importance of the programme and in particular the relative priority of that programme set against other priorities it was apparent had to be met during the public expenditure round' (Major in Treasury and Civil Service Committee 1988a, p. 24).

The Treasury can be persuaded; and it is prepared to administer flexibly the rule that departments are required to live within cash allocations which do not provide for the final effects of inflation. There is a real incentive, if any be needed, for departments in negotiations with the Treasury to construct and present time-series

data showing the differential effects of inflation on their programmes. Where this relates to specific commodity input-price effects or output unit costs they have some expectation of success. The Treasury is willing even to protect some departments from the effects of above-average increases in pay. In recent years, the DoH has been uniquely protected from the price effect of wage increases in the NHS (Major in Treasury and Civil Service 1988a, p. 24). Besides the allowance for pay provided in the cash limit in the negotiation, the awards to nurses, doctors, and other groups review bodies and agreed to by the government were 'met in full or full'.

In discussion of claims for additional resources grounded in arguments about the relative price effect and historic price differentials, the Treasury looks for evidence that the department is trying to meet rising costs by offering savings within the programme: 'the extent to which the programme is trying, itself, to consume the difficulties it faces as a result of particular price increases' (Major, in Treasury and Civil Service Committee 1988a, p. 25). It will also seek explanation of why prices have gone against a department, and encourage it to consider changing the mix of inputs within a programme in order to reduce costs. As well, it encourages all departments with purchasing-power to 'make rather than take prices'.

'Firm deals'

'Firm deals' constitute a new development, or perhaps an attempt to revive the original intention that public expenditure plans in the early years of the (five-year) survey were to be regarded as firm commitments. The principle of such 'deals' is that planned cash allocations are agreed with the department for each of the three years of the survey. In practice the cash allocations to years 2 and 3 have always been regarded as subject to negotiation and change. The intention now is that they should not normally be re-negotiable. Once agreed, subsequent discussions between the Treasury and the departments would be focused solely on the new third year as the survey was rolled forward. The advantage to the Treasury is obvious; it obtains agreement to fixed cash totals for the plan period. Such deals are likely to be more advantageous to departments in future years if the general expenditure position is a less favourable one. In such circumstances departments would be better protected from the effects of a general squeeze, and the Treasury would feel more inhibited in the re-opening of a negotiated firm deal. They also make sense to a department during a period of static or falling inflation. They are less valuable when inflation is rising or is out of line with Treasury forecasts. Two such deals were concluded in the 1988 bilaterals with the Ministry of Defence over its total expenditure, and the Minister for Arts (Major, in Treasury and Civil Service Committee 1988a, p. 21). In addition, the Treasury agreed three-year firm deals in a large number of departments over their cash-limited running costs (p. 26). Such deals are coming increasingly under pressure, and in practice nearly all departments in 1989 re-opened their three-year running costs settlements as they faced rising inflation. Little mention has been made of 'firm deals' in the last two surveys.

The conduct of the bilateral negotiations

'People imagine that the negotiations are simply a process of political horse-trading. I wish it were that simple. Reality is both more mundane and more complex, and certainly more ex   (Major, 1988, p. 7).

The bilaterals are confide   how the negotiations are conducted is not easy to obtain, other   ccasional leaks to newspapers and the anecdotal memoirs of ministe   ants. Such revelations have tended to reinforce the claims of those w   erize the process as 'horse-trading' or bargaining, with the strong implicati   decisions made thus lack 'rationality'. What is usually meant by this implied criticism is that decisions made about the financing of public expenditure programmes should be taken in some more 'objective' way, in which the merits of individual cases are assessed according to some agreed economic or financial or other criterion, compared and ranked. In the absence of any such acceptable criteria, and the lack of comparative data on performance and output to make valid comparisons, the exploration through informal argument and counter-argument of the nature and extent of differences, and the attempt to negotiate and bargain the terms upon which those differences might be settled is a rational procedure. Often those who argue for a 'rational' system are trying to remove politics from what is the most political of activities – fighting for resources. It is of course easy to characterize the process, as some have done, as 'mere haggling' or 'horse-trading', with overtones of the disreputable or dishonest behaviour popularly associated with those who deal with horses, in which the qualities of the horse may be misrepresented, and the purchaser misled by inaccurate or false information.

Both horse-traders and ministers in bilaterals are engaged in a negotiation, seeking to establish the terms on which they can agree a settlement, and perhaps strike the bargain. We can characterize their conduct as firstly, a transaction between parties who exchange information and signal intentions. Secondly, that transaction is adversarial rather than inquisitorial or adjudicatory. The parties seek to persuade each other through argument of the merits of the case. Thirdly, (at this stage) there is no arbiter, nor any appeal to objective, independent valuations. These characteristics determine a fourth: the process and settlement are 'satisficing' rather than optimal. While each party aims to maximize its values and satisfaction, it is also prepared, or at least to contemplate, accepting something less; a willingness to seek compromise which accommodates conflicting interests. We return to this issue in Part II.

A negotiation need not entail bargaining. A discussion may lead to a mutually acceptable agreement. In bilaterals, however, it is inherently unlikely. By definition, the bilateral is necessary because previous discussions have failed to produce an agreement, or to settle differences. Ministers have now to negotiate the terms of a possible settlement in which both parties may be obliged to 'give and take'; they have to bargain.

How then, are the bargains struck? Bilaterals in the 1980s under the Conservative governments of Margaret Thatcher were conducted in a different

political and economic context to that of the late 1970s described in the memoirs of former Labour ministers (Barnett 1982; Castle 1980). There is no atmosphere of crisis or impending crisis as there was then, and government attitudes towards public spending have changed. A more concerted attempt is now made to measure and assess performance, aided by improvements in departments' management information systems spurred on by the Financial Management Initiative (FMI) and associated efficiency initiatives. But while opportunity exists for both sides in the bilateral to play the game with improved and new 'counters', the rules of the game do not appear to have changed all that much, on the evidence of contemporary participants (Rees 1984; Bruce-Gardyne 1986).

In the spending round concluded in the autumn of 1990, the leak of a draft letter exposing the negotiating tactics of the Secretary of State for Health in his bilaterals with the Chief Secretary provided an insight into how that game is played. Kenneth Clarke had bid for £2.7 billion new money. The Treasury demurred and sought reductions. Kenneth Clarke responded with an opening offer to reduce his bid by £172 million, which the Treasury considered inadequate. Department of Health officials then learned from officials in the Treasury's Expenditure Divisions, that if they offered up a reduction of the order of £500–600 million it would be regarded as 'constructive'. On the advice of his officials, the Secretary of State then offered reductions totalling £431 million. At this point, the draft of a letter to the Treasury was leaked. It revealed both the Department of Health's 'negotiating margin', and its 'bottom-line'. The latter was about £1.8 billion, and hence the negotiating margin was some £800–900 million. The final settlement at £2.2 billion was some way above the bottom-line.

The 1990 bilaterals were unusual in another respect: Prime Minister Thatcher chose to intervene publicly. Before the Tory Party Conference, Mrs Thatcher wrote to those ministers who had not yet settled to remind them of the need for restraint, and threatening that an appeal to the Star Chamber would result in their securing less than on offer in discussion with the Chief Secretary. While prime ministerial exhortations to parsimony in the bidding process are common enough at the time of the July Cabinet, and even in the run-up to the bilaterals, a calculatedly public reminder to colleagues locked in discussions with the Chief Secretary is unusual. Nor was it Mrs Thatcher's only intervention. Her intercession on child benefit was decisive: she overruled the Treasury's insistence on a fourth successive freezing of child benefit, after the Minister for Social Security had apparently already conceded the principle to the Chief Secretary. The grounds on which she did so were dictated by political expediency following the disastrous Conservative result at the Eastbourne by-election, and divisions among her backbenchers over the principle and payment of child benefit. It is less clear how much pressure was brought to bear on Mr MacGregor when summoned to No. 10 to discuss his position on education vouchers and his difference with the Chief Secretary. Shortly after, he settled and the Star Chamber was stood down.

The effect of the former Prime Minister's public intervention on her other colleagues is difficult to gauge. It is true that, shortly after, those ministers who had equally publicly let it be known that they were contemplating an appeal to

the Star Chamber settled their differences with the Chief Secretary. Public statements are of course part of the tactics employed by both sides to pressurize each other. It is possible that the four or five ministers who were holding out settled a little sooner, and for a little less than they could have done without the Prime Minister's intervention. More likely, the ministers were less deterred by the Prime Minister's threat than their belief that they won almost as much as they had expected, if less than they had hoped for in the bilaterals. Most won between a third and a half of what they bid for, an average amount. As with Kenneth Clarke, they had obtained a settlement above their bottom-lines. Little more was to be gained by appealing over the Chief Secretary's head in defiance of the Prime Minister's public admonition.

If the bilateral is brought to an agreed conclusion the parties have to agree what it is they have decided. Agreements are of two main kinds – a 'global settlement', and bid by bid. The latter is more common. Notes of the agreement are prepared by the Treasury, cleared with all those involved on the Treasury side, and then sent to the department. Further negotiation and amendment may take place on both sides to try to 'shade' the points made in argument in the bilateral in an attempt to secure further advantage.

A number of general observations may be made about the conduct of the bilaterals. First, Treasury officials and their opposite numbers will try to define (and perhaps narrow) the areas and size of potential disagreement before the ministerial bilaterals begin. In that process, the Treasury will have learned something of the negotiable limits: what the department may be prepared to offer for 'openers'; and what it may be prepared to settle for in a 'next-best' strategy; which items are non-negotiable; and a feel for the 'bottom line'. Conversely, by the autumn, the department will have a pretty good idea and feel for the general 'tone' of the survey round, and of the Treasury's attitude to its bid. The strategy adopted by each will be influenced by consideration of 'anticipated reactions'.

Secondly, the conduct of the negotiations will be influenced by the degree of priority attached to the department's programme(s). The minister's negotiating position will be strengthened if his programme has an established political priority from an earlier manifesto commitment, or a party or government pledge, or because it has acquired an enhanced priority as a result of some political development or a recent policy review.

Thirdly, the personality, ability, determination and status of the minister and the Chief Secretary are factors which affect the outcome of the negotiation. 'Political clout' is a more important ingredient, especially where a department has an acknowledged priority, such as DHSS in 1988.

Fourthly, there is little evidence in the 1970s or 1980s that Treasury ministers and officials have attempted to use the bilaterals as a vehicle for explicit inter-departmental comparisons to rank bids in an order of priority. Each bid is considered on its merits.

Where no agreement has proved possible on a bid, or parts of it, the minister or the Chief Secretary may appeal to the Star Chamber. A cabinet committee chaired by a senior non-departmental minister, it was last used in 1987 when Lord

Whitelaw presided. Both sides will want to settle as much as they can in the bilateral, not least because the absence of officials on both sides increases the unpredictability of Star Chamber judgments. It is in the interests of both to keep as much in their own hands and control as possible.

Why has the Star Chamber not been required since 1987 Survey? It has been set up in readiness in each of the surveys since then. With the retirement of Lord Whitelaw, Mrs Thatcher appointed Cecil Parkinson as Chairman of the Star Chamber and John Major selected John MacGregor, a former Chief Secretary, for the task should the committee have been needed in 1991. There are three observations which can be made. First, the Star Chamber was very much a product of the Thatcher style of governance and reflected her initial weakness in Cabinet in the early 1980s. It was seen by ministers as a means of appealing over the head of the Chief Secretary to wider interests in Cabinet yet its existence kept public spending haggling away from formal Cabinet in line with the Thatcher approach. In the mid-1980s Chief Secretaries used it to draw out points of principle in the Treasury's continual battle with departments over the need for restraint. Thus until the late-1980s both the Chief Secretary and some of his colleagues regarded recourse to Star Chamber as a potentially useful tactic *in extremis*. Second, these factors ceased to be so relevant after 1987. Mrs Thatcher had succeeded in fashioning a more amenable Cabinet and, arguably, the ideological debate ceased to be so relevant after three election victories. The economic boom of the late-1980s made it possible for the Treasury to concede public spending increases whilst reducing spending as a proportion of GDP. Third, the fact that the Star Chamber has not been required in 1990 or 1991 reflects the weakness of the Treasury's hand in not being able to resist demands for increased spending due to the effects of the recession and latterly the desire of the Prime Minister and his colleagues to be re-elected: ministers have achieved enough of their goals not to press the case further; and both Prime Ministers Thatcher and Major intervened to overrule the Chief Secretary over child benefit in 1990 and health spending in 1991.

Following meetings of the Star Chamber, if it is necessary to convene it, the Cabinet meets in November to approve the agreements reached in the survey round, and to resolve any outstanding differences which the Star Chamber may have been unable to settle. Here the Cabinet decides (or ratifies) where the final line is to be drawn, which may be higher than that set at its earlier meeting in July, as in 1990 when the planning total was set some £8 billion higher than that agreed earlier. The publication of the agreed totals for the next three years in the Autumn Statement follows shortly after, and completes the bidding and allocating processes of the survey. It remains to convert the survey figures into Parliamentary Estimates and fill in the details of the broad agreements in departmental plans which are published early in the New Year.

A post-mortem and evaluation of the whole PES-round is conducted at the conclusion of the process in November. This is the particular responsibility of the Treasury's Second Permanent Secretary (Public Expenditure) and his 'chief of staff', the Under-Secretary in charge of GEP. Reflecting on the experience of the past twelve months, the review may lead to major system changes such as the definition

of the planning total, or to changes in the rules of the game such as how bids should be collated to be discussed with PFOs and included in the next survey *Guidelines*. At the same time there will be an assessment of the strengths and weaknesses of the Treasury expenditure strategy, and of the tactics employed, division by division.

CONCLUSION: THE SURVEY IN THE 1990s

The survey post-1983 is methodologically almost unrecognizable from that eulogized by Heclo and Wildavsky in the 1970s. The over-riding concern since the failure to cut public expenditure in the early years of the Thatcher government has been to design and maintain a system which provided for tight control of monetary aggregates while bearing down simultaneously on costs. The planning imperative which drove the survey in its early years, and which survived the importation of cash limits, has all but disappeared. The Treasury's brief and (with hindsight) disastrous flirtation with planning volumes of public expenditure was abandoned with the prescription of cash planning. It remains vestigially in the prescription of planning total aggregates for three years ahead, but the programme allocations which comprise them have become little more than stylized projections since 1984 when the size of the annual Reserve was increased and its use changed as an explicit device to control all changes to planned expenditure, both in-survey and in-year (Thain and Wright 1990a). In effect the survey has become a more elaborate and technically sophisticated successor to the annual estimating process of the status quo ante Plowden.

The process by which those decisions are made, legitimated and made public has changed much less. What takes place, and when, in the stages of the annual survey cycle is similar to that of a decade or more ago. Of course procedures have become more elaborate and with time, experience and repetition many have become institutionalized. They also reflect the changes in methodology described above, as well as the increasing emphasis on obtaining value for money. Some informal structures for dealing with expenditure business have become more formal, as in the set-piece cabinet rituals in July and November. The *ad hoc* arrangements which were sometimes made in the 1970s for the collective resolution of conflict in the survey negotiations between the Treasury and spending ministers were formalized in the 1980s with the institution of the Star Chamber. Other processes of negotiation and agreement have become more formally structured by the codification of practices relating to both policy and behaviour. The survey *Guidelines*, the 'rules' governing the form, content, submission and handling of agenda letters, 'shadow boxing', and the procedures for the ministerial bilaterals are all examples of both.

What the survey deals with has changed too. The continual re-defining of public spending, has served not only to manage the presentation of public spending plans (Thain and Wright 1990c, pp. 10–13), but to remove some categories of expenditure from the survey. The most important of these is the large part of local authority spending previously included in the calculation of the planning total which has been removed since the 1989 Autumn Statement. How the survey business

is dealt with has also changed. The bidding process is now more formalized and its scope narrowed. Base-line expenditures have been taken out of that process, and are decided automatically, without negotiation. As a result, the negotiations between the Treasury and the spending departments have become more sharply focused on bids for new or additional spending.

Public sector pay is also treated differently within the survey. The use of cash limits as a surrogate public sector pay policy was abandoned with the accession of the Conservative government in 1979. Pay factors which were introduced in the early 1980s were abandoned in 1986 when running costs control was introduced. The separation of programme and running costs expenditure, and the absorption of pay into the latter, has removed one of the most contentious and sensitive issues from the main survey bidding process, and side-lined running costs into separate, parallel discussions. In practice this makes it easier for the Treasury to squeeze administrative costs and consequently harder for departments to submerge the costs of pay into wider programme bids.

The process of deciding about allocations and about the total has become both formalized and incorporated within the survey cycle. The latter represents an important break with the practice of the 1970s. Since 1979 almost all decisions about public expenditure are taken within the survey, or in relation to it. The mini-budgets and expenditure packages which characterized the previous decade are a thing of the past. Cuts and squeezes are negotiated within the survey process.

The medium of exchange in the bidding processes has been little affected by the formalization of the survey procedures. Most decisions about the total and its allocation between programmes continue to be made as the result of mutually acceptable agreements negotiated between the Treasury and the spending departments; a few become the subject of bargaining conducted by ministers face-to-face in bilaterals. 'Arbitration' where differences proved irreconcilable became more common in the early 1980s, as appeals were made to the institutionalized Star Chamber. There, or at the full Cabinet, some decisions were imposed upon contending parties but, in general, imposition has become increasingly rare. Even the optimal size of the planning total 'decided' by the Chancellor and the Chief Secretary and recommended to the July Cabinet is now negotiable, as is tacitly acknowledged in the exercise of the autumnal bilaterals which frequently produces a substantial overshoot, as in 1990.

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FROM PROVIDING TO ENABLING: LOCAL AUTHORITIES AND THE MIXED ECONOMY OF SOCIAL CARE

G. WISTOW, M. KNAPP, B. HARDY AND C. ALLEN

Government policy seeks to introduce competition into the supply of social care through the separation of purchasing and providing responsibilities. A study of 24 local authority social service departments has explored the initial steps taken to prepare for the new enabling role, including the creation of a mixed economy of care. Very few were seeking to create a market in social care. Most argued that the inherent nature of social care rendered the introduction of service specifications and price mechanisms neither appropriate nor feasible. Many authorities interpreted the enabling role in ways significantly different from that of the government. The study raises questions about the extent of local discretion in a context where the range of values and interests of implementing agencies may differ from those of the centre.

INTRODUCTION

A major strand in the centre's policy towards local government over the last decade is encapsulated in a former Environment Secretary's view that the latter should adopt a role of 'enabling not providing' (Ridley 1988). More recently the concept of the enabling role is at the heart of the government's current local government review (Department of the Environment 1991). The introduction of compulsory competitive tendering (CCT), the Housing Act (1988) and the Education Reform Act (1988) share the common objective of diminishing the role of local authorities in direct service management and provision. The personal social services are the last of the principal local government functions in which such an approach is being introduced. In this case, CCT has been explicitly eschewed in favour of competition founded upon a system of purchaser and provider functions similar to that adopted in the NHS, and introduced in the same legislation – the NHS and Community Care Act 1990. In contrast with the NHS changes, however, those for social and community care envisage the creation of a more diverse and extensive range of non-statutory provider agencies, through the promotion of a mixed economy of care. They may thus be seen as both more far-reaching and complex than the

G. Wistow is a Senior Lecturer, and B. Hardy is a Research Fellow, at the Nuffield Institute for Health Service Studies, University of Leeds; M. Knapp is Professor of the Economics of Social Care at the University of Kent and C. Allen is a Research Fellow at the University of the West Indies, Barbados.

establishment of the more publicized internal market arrangements in the NHS which are based, almost exclusively, on existing statutory providers.

This article reports upon an initial study of these changes and more specifically of preparations to develop a 'market' in social and community care. Our findings are described in detail elsewhere (Wistow *et al.* 1992). Here we focus upon the initial response of a sample of local authorities (24) to the centre's requirement that they establish and manage a more mixed economy. In so doing, we found understandings of the enabling role at variance with that expressed in government policy documents (*Caring for People* 1989; Department of Health 1990). The study effectively highlights, therefore, the ability of local agencies to define and redefine the nature of the implementation task (Barrett and Fudge 1981; Sabatier 1986). How far local authority understandings of enabling will be allowed to prevail is an issue raised by our findings.

ENABLING AND THE MIXED ECONOMY OF CARE

Social and community care have been provided within a mixed economy throughout the lifetime of the personal social services. Although private (for-profit) organizations have played a relatively small role until recently, voluntary organizations have provided many services – albeit often in specialized areas – alongside their campaigning and advisory roles. In addition, numerous individuals have contributed to the service system in diverse ways either as unpaid volunteers, or, more importantly, as informal carers. Together with this diversity of provision has been a degree of pluralism in community care funding, with tax-based and other collective support ranged alongside private payment for certain services.

Nonetheless, the mixed economy has become a more prominent feature of social and community care during the last decade, and especially since the mid-1980s. First, voluntary and private sector providers have increased their market share in most service areas (Knapp 1989): indeed, in the residential sector they have become the majority suppliers, due, almost entirely, to the substantial growth in the private sector and the liberalization of demand-side social security subsidies. Second, local voluntary organizations have become better organized and more self-confident contributors to local policy networks and service systems. The Wolfenden report (1978), *Working Together* (ACC and others 1981), and the statutory requirement to include voluntary sector representatives in joint planning arrangements (DHSS 1984) have all legitimated increased partnerships in policy making, service development and service delivery processes, even if the results nationally have been uneven and statutory authorities have remained the dominant partners. Third, the role of social services departments (SSDs) has been progressively redefined to emphasize their responsibility for both creating a mixed economy and managing it more systematically. Aspects of the latter functions were identified in governmental and quasi-governmental sources during the 1980s including the Barclay report (1982), Norman Fowler's (1984) Buxton speech, the Griffiths report (1988) and *Caring for People* (Secretaries of State 1989a). They were also prefigured in the Seebohm report's (1968) emphasis on social planning and the community dimension to the role of SSDs (see also Utting 1990; and Wistow 1991).

While the 'enabling' theme appeared frequently in these sources, its meaning evolved. Seebohm, Barclay and, to a considerable extent, Fowler were concerned with how SSDs could mobilize and enable the fullest possible contributions to care from the resources of local communities, including carers. Fowler's concept of the enabling role also involved departments 'taking a comprehensive, strategic view of all sources of care' within their area and 'promoting and supporting [their] fullest possible participation'. Griffiths accepted and built upon this view of enabling but went significantly beyond it by introducing the concept of SSDs as the purchasers of social care within a marketplace of competing providers. Thus, they would become: 'designers, organisers and purchasers of non-health care services and not primarily direct providers, making the maximum possible use of voluntary and private sector bodies to widen consumer choice, stimulate innovation and encourage efficiency (Griffiths 1988, para. 1.3.4).

Although the nature of the purchasing function was not elaborated by Griffiths, he argued that social services authorities should not only develop and sustain informal and voluntary community care resources but should maximize choice and competition by encouraging the further development of private services (para. 6.9). Griffiths can thus be seen to have been looking back to the traditional emphasis on stimulating community resources and forward to the new world of purchasing and provision in which the private sector would be encouraged to compete alongside statutory and not-for-profit agencies. In the interval between the publication of the Griffiths report (March 1988) and the government's response in November 1989 the distinction between purchasing and providing was more fully developed in the NHS White Paper *Working for Patients* (Secretaries of State 1989b). As indicated above, it aimed to create an internal market in which health authorities purchase services from provider units, NHS Trusts, and, to a lesser extent, the independent sector. The purchaser-provider distinction was, therefore, a fundamental organizational principle of the reforms.

Not surprisingly, therefore, the newer concept of enabling was included among the SSD responsibilities laid down in the 'Caring for People' White Paper: 'securing the delivery of services, not simply by acting as direct providers but by developing the purchasing and contracting role to become "enabling authorities"' (Secretaries of State 1989, para. 3.1.3). The role of such enabling authorities in promoting the mixed economy of care was described as

> determining clear specifications of service requirements, and arrangements for tenders and contracts; taking steps to stimulate the setting up of 'not-for-profit' agencies; identifying areas of their own work which are sufficiently self-contained to be suitable for 'floating-off' as self-managing units; stimulating the development of new voluntary sector activity (Secretaries of State 1989a, para. 3. 4.6).

SSDs were also expected to make more use of non-statutory providers and promote non-residential services. Thus, the White Paper's framework for the enabling role had three central elements: separation of purchasing and providing functions within SSDs; development and support of private and not-for-profit providers; and the regulation of all provider agencies through a process of service

specification and contract. These latter activities, conducted within the framework provided by the area community care plans and planning agreements, formed the core process through which SSDs were to manage the mixed economy in the post-White Paper world.

If the stimulation of the non-statutory sector remained the central element in the enabling role, the emphasis had shifted somewhat from the mobilization of community resources to private and not-for-profit providers being regulated by contracts won through a tendering process. Our study showed that this redefinition of the enabling role was of considerable significance in the approach of local authorities to the implementation of the mixed economy proposals. As we demonstrate below, three different interpretations of the enabling role could be identified: enabling as personal development; enabling as community development; and enabling as market development. While the first two were strongly within the professional culture of social services departments, the third was widely regarded as incompatible with the nature and values of social care.

In practice, the purpose of stimulating the development of non-statutory service providers was expressed in terms of benefits for consumers, a wide range of choice, more flexible and innovative ways of meeting individual needs, and better value for money resulting from competition between providers. The White Paper also asserted that the evolutionary development of service specifications, tendering, agency agreements and contracts would produce further benefits by requiring authorities to define desired outcomes, be more specific about the design of services to achieve those outcomes and define the necessary inputs (para. 3.4.7). This in turn would require both improved information systems and a 'more vigorous approach to management' based on a clear distinction between purchasing and providing functions (para. 3.4.8).

The importance of managing an increasingly mixed economy derives from the public sector's role in its creation and funding. Public accountability requires, at a minimum, the regulation of public funding in relation to needs and outcomes – unlike the hitherto unplanned mixed economy in the residential sector, which has not only been inadequately regulated and inconsistent with broader government objectives for community care but also substantially funded by the public sector (Wistow 1986; Wistow and Henwood 1990). Moreover, the structure of supply was a result of the unintended consequences of social security changes rather than a pro-active strategy for market making or welfare pluralism. The tasks associated with the purchasing side of the mixed economy imply major shifts in departments which historically have had an administrative rather than a management culture (Social Services Inspectorate 1990). In particular, they imply strengthening the functions of need identification, service design, service specification and performance review which lie at the heart of the purchasing role but which have been much more weakly developed than the provider function (Wistow 1991).

RESEARCH METHOD

Even before the government's response to the Griffiths report had been announced, it was envisaged that SSDs would increasingly become what was then termed

managing agencies within a more pluralistic fra█ █f service provision (Allen 1989). The Department of Health commission█d res█to examine the activities of SSDs in the mixed economy: (a) to map actual a█ █ed reductions in their direct provider role, together with the scale and na█ █statutory provision and its potential for further development; and (b) to █ █y th█key elements and principal management tasks of a managing agency role. █r two year study started in April 1990.

In the descriptions of the local development of a mixed economy we rely mainly on information gathered from a sample of 24 authorities. The sample was representative of all English local authorities along six dimensions: authority type (county, metropolitan borough, London borough); political control (May 1990); total expenditure on personal social services per head of population in 1987–8; percentage of total expenditure on personal social services going to services provided by voluntary organizations and registered private persons in 1987–8, this being the best approximate measure of contracting out; percentage of total expenditure on personal social services going to general contributions to voluntary organizations and registered private persons in 1987–8; and percentage of all residential places for the elderly in the local authority area in voluntary and private homes in 1986–7.

The results of our statistical analyses of data on provision and funding are not reported in this article (see Wistow *et al.* 1992 for details). Instead we concentrate on the rich information provided by our semi-structured, tape-recorded interviews with the director and chair of social services (or their respective designates) in each of the 24 authorities, as well as a smaller number of supplementary interviews with health authority, voluntary sector, private sector and national body representatives.

DEVELOPING A MIXED ECONOMY OF PROVISION

It obviously takes time to alter the balance of provision or establish different regulatory structures, even assuming there is the political and professional will to do it, and the Department of Health urged SSDs to 'introduce changes at a pace appropriate to their organisation' (Department of Health 1990, p. 1), with the mixed economy being introduced over 'several years rather than months'. Moreover, the decision to delay full implementation of the community care changes from April 1991 to April 1993 further encouraged a cautious process of change. Our evidence was that by early 1991 most authorities were only beginning to consider the development of a mixed economy, and some had no intention of doing so until forced by legislative or financial imperatives (see Henwood *et al.* 1991 for details).

In principle, the provision of social care can take many forms as is illustrated by the simple catalogue of supply options in figure 1.

FIGURE 1   *A simple cat̷͟ of potential alternative modes of provision*

a. continuing local au̷͟vision as it is currently organized, with no planned changes to the managem̷͟, ̷ or regulation of activities;
b. continuing loc̷ auth̷ provision with reorganization of the SSD along the lines of a purchaser/provider̷ lit of some kind and to some degree;
c. management or staff buy-outs of some local authority services;
d. floating off some services to a not-for-profit trust which allows the local authority to retain some degree of control, though with eligibility for DSS payments;
e. selling off services, perhaps at a nominal price, to voluntary organizations (new or already working in the authority) which act independently of the authority, except for any service agreements or contracts;
f. selling off services to private (for-profit) agencies (new or already with a presence in the authority) which act independently of the authority, except for any service agreements or contracts;
g. encouraging (or perhaps simply not stopping) voluntary or not-for-profit organizations setting up new services;
h. encouraging (or perhaps simply not stopping) private (for-profit) agencies setting up new services;
i. considering health authorities as potential providers of some social care services, such as residential care for elderly people or people with mental health problems; and
j. bringing NHS trusts into the supply picture.

While it would be wrong to generalize too freely, there were some clear and largely predictable rankings in attitudes towards these options. Thus most Labour authorities preferred **d** to **e**, and strongly preferred **e** to **f**. Indeed, option **f** was a non-starter in some authorities. If the possibility was mentioned, they also ruled out **j** and were often unhappy about **h**. To take another example, most Conservative authorities supported option **g**, expressed some practical but not ideological reservations about **h**, and usually liked the idea of **e** and **f** in principle even though elected members had some difficulty supporting the sale of facilities in their own wards. Option **c** hardly ever received support from either officers or members, and it was too early for local authorities to make any judgements about the viability of option **j**. These are gross generalizations, and only rarely were two authorities alike. Indeed, one of the strong conclusions to emerge from our study was that generalizations along party political lines are often hard to sustain. Moreover, space precludes us from discussing all of these options here (see Wistow *et al.* 1992 for details). Instead we look at the principal organizational and other means adopted by local authorities to encourage diversification, and then consider their plans for social care markets.

The purchaser/provider split
Under the right conditions, the most important influences of 'quasi-market' forces could come at a case level, affording greater choice for case managers and clients. One of those conditions is an appropriate split between purchasers and providers.
    The purchaser/provider split has at least four elements:

(a) the *starting point*: the point at the top of the authority or SSD at which the split starts (in the extreme, the director might be the only employee not allocated to one of the purchasing or providing arms);

(b) the *end point*: the level in the department down to which the split extends (at the other extreme, there might be individual assessing and purchasing case managers, who provide no services themselves, working alongside providers who do no assessing);

(c) the *financial empowerment*: the extent of budgetary devolution and the services covered (opposite extremes would be the director in one authority who told us how he bought his desk in two halves to keep within his limited discretionary budget, and, in another authority, the case managers with client-specific budgets who are allowed to purchase residential care placements); and

(d) the *component responsibilities*: the range of activities which are allocated to the purchaser and provider arms (such as training, personnel, financial management or advice, legal advice, and so on).

Few authorities had drawn up precise plans for the purchaser/provider split. Only two had already achieved some degree of split, and another had conducted a small pilot project. Of the others, one had no intention of such a reorganization, and seven were not intending to introduce such a split unless forced. (Two were hoping for a Labour government before April 1993, when full implementation of the 1990 Act is required, but councils run by each of the main political parties were represented among the reluctant. Most saw the split as an inevitable fact of life, but, faced with so many other pressures, welcomed the delay.) The other sample authorities expressed intentions which ranged from a cautious 'possibly, but slowly' approach, to a definite commitment to a split whose details had yet to be agreed. None of these authorities were using the opportunity of phased implementation to conduct pilot trials. Directors of social services were almost universally more enthusiastic than their political masters about splitting the purchasing and providing functions.

This slow progress in formulating plans for a purchaser/provider split is understandable insofar as the new arrangements do not need to be in place before 1993, but other factors – political, professional and administrative – were also extant. Some authorities adhered to the ideological premise that 'no local authority should run anything commercial' or 'you can't put a price on welfare', and some politicians simply sought to protect the authority's own provision, fearing the purchaser/provider split would remove services from their control. A small number of interviewees saw the economic advantages of block contracts as being more attractive than the need to offer case managers and clients a range of options. Another director reluctantly accepted the need for a split because it was better than contracting-out. Social work professional concerns stemmed from the view that providers often have a better view of the developing needs of clients than assessors (purchasers). Financial management and information systems were generally inadequate to support delegated decision making: one senior officer was worried about 'field social workers running around with cheque books'. Finally

at least two authorities ~~~~~ logic in splitting their SSDs until a mixed economy of supply existed.

Trusts

One of the most import~~~~~t forces behind the move towards a mixed economy is the promotion of effi~~ency and effectiveness. Experience had led authorities to be cautious of the dangers of pursuing economy rather than efficiency or effectiveness: they were sensitive, therefore, to the need to protect traditional service principles whilst taking whichever financial advantages are available. The transfer of residential homes to the private and not-for-profit sectors was the principal area in which such gains were identified. This, however, was dependent upon transferring the care costs to the social security system; an option which would be foreclosed when the community care changes were fully implemented in 1993.

In this context the most attractive option to many authorities was to establish organizations which simultaneously are sufficiently independent for their clients to be eligible for DSS funding, but sufficiently linked for the authority to retain some control over staffing, admissions or quality of care. We refer to these organizations as 'trusts', though a variety of legal forms has been established. Each of the established or proposed trusts in our sample of authorities was built around an existing organization, usually a housing association. Six authorities had already set up a not-for-profit trust or some other statutory-voluntary hybrid and a further three authorities had made a decision in principle to do so. A further seven authorities seemed likely to establish such arrangements but were taking legal advice because of doubts about their legality and whether their residents would attract social security benefits. The announcement in January 1991 (*Community Care* 31 Jan., p. 1) that government guidance would be issued in April effectively caused a planning blight. The position was not resolved until June when the Ministers for Social Security and Health announced that residents in homes transferred after 12 August would continue to be the financial responsibility of local authorities (Press Release 25 June 1991). In one authority, small local trusts already existed under consortium arrangements to support former long-stay hospital residents in the community. These trusts have one representative each from the local authority, health authority, a voluntary organization and a housing association. As the director remarked, with dowry transfers and other sources of revenue, 'those [trusts] have considerable advantages; there is an element of joint funding being channelled into a single provider without even having a single purchasing function'. For this reason, almost every effort to establish a trust was concentrating on residential facilities for adult client groups which might attract DSS funding: with no immediate financial pay-off, domiciliary and day-care services were rarely mentioned.

If funding advantages encourage authorities to float residential facilities out of the public sector, other factors discourage complete privatization: residents' security of tenure can be protected by licence agreements; local authorities can bring in experience and expertise in managing housing projects; staff redundancies can be avoided; and authorities are less exposed if trusts collapse. This last concern was voiced by many interviewees, although their choice of 'insurance' varied. Some

sought to retain sufficient control to be able to bring services back into the authority if necessary; most favoured keeping a proportion of their facilities within their control. Cautious variants of these strategies were the decision by some authorities to float off only those facilities which accommodated less frail or dependent people, and (b) a reluctance to decide on the proportion of facilities to be floated off until the social security status of residents had been clarified. The fear that the DSS might alter the eligibility rules after authorities had taken irreversible decisions was the most commonly voiced reservation about trusts. Other perceived difficulties related to the greater risk of internal failure, financial uncertainties at the Housing Corporation, the cost of bringing local authority homes up to acceptable standards before housing associations could take them over, and simple politics. In a Labour authority, selling off local authority elderly people's homes was 'too sensitive...The Committee will be absolutely terrified. Imagine the newspaper headlines: "Labour Authority Sells Off the Elderly and Makes a Loss"'.

Encouraging non-statutory providers
In contrast to the interest in semi-independent providers of social care, comparatively few authorities were actively encouraging *independent* suppliers. Arrangements for provision which allow the local authority to retain a degree of *direct* control were more popular than the delegation of supply to non-statutory agencies. A common argument was that it was too early for local authorities to be actively soliciting bids for contracts, even assuming they were intending to take this route to a mixed economy, but the lack of formal encouragement was still noteworthy. While most had some regular consultation with voluntary organizations – through a local umbrella organization, the grant-making process, or the complex interweaving of elected members and management boards – comparable consultation with the private sector was rare, in authorities of all political hues. In general, there was nothing approaching the 'bidders' conferences, technical assistance, independent managerial advice funded by the public agency, aid in the creation of new agencies, and capital subsidies to cut the entry costs' used in the USA to stimulate non-statutory suppliers (Kramer and Grossman 1987, p. 37). Active intervention of this kind is sometimes seen as incompatible with the fundamental aims of competitive tendering, but virtually no authority expressed an intention to introduce competitive tendering for social care in the foreseeable future (see below). For those authorities which saw virtues in competition – perhaps greater choice and the opportunity to avoid monopolistic supply – there was still a long way to go before the systems were in place to reap such benefits.

Service specifications and contracts
As we indicated in the Introduction, compulsory competitive tendering was introduced for some local and health services some years ago (including hospital cleaning and catering, refuse collection, vehicle maintenance and school cleaning) but was not a component of the community care reforms.

The Government bel___ ___ he wider use of service specification and tendering is likely to be one ___ ___ ost effective ways of stimulating the non-statutory sector. It has dec___ ___ inst extending compulsory competitive tendering to social care servi___ ___ ours giving local authorities an opportunity to make greater use of ___ rv___ pecifications, agency agreements and contracts in an evolutionary way (___ cretaries of State 1989a, para. 3.4.7).

There has long been contracting out of social care, particularly of child care services. Often the 'contract' has been only loosely specified, and one aim of the current community care changes is to formalise, clarify and tighten up the links between statutory and non-statutory bodies. Central to this process is the development of service specifications or agreements – whether or not these are described as 'contracts'. The Department of Health guidance and the academic literatures make the distinction between the provision which the public body wishes to see . delivered – the service specification – and the legal document which sets out the expectations of the parties to the agreement – the contract. This is how we use the terms here; though we should point out that 'service specification' is a convenient euphemism in politically sensitive contexts. As one director commented, 'the word 'contracts' to voluntary organizations sends fire bells ringing.'

Service specifications can set out the quantity and quality of inputs and outcomes (for example, improvements in client welfare, the volume and quality of services, and care practices), target client groups, complaints and grievance procedures, monitoring and performance requirements, sub-contracting restrictions, renewal/ termination processes, and perhaps also an acceptable cost range. They may also make specifications regarding user participation, staff skills, equal opportunities, and even salary scales. They are drawn up not only to clarify a public body's own intentions, but to attract potential suppliers. The Department of Health (1990, para. 15) advises that 'a service specification should be prepared for all services to be purchased' and also for those to remain within the authority. Formal contracts cover the same dimensions as the service specifications, with the addition of the agreed cost or unit price (see Flynn and Common 1990 for some UK examples.)

How, then, were local authorities responding to the government's suggestions that they introduce more formal service specifications and tighten up their links with suppliers? In all but a few authorities, service specifications, agreements or contracts were already in use or were in preparation, but there were five broad types of authority, which we labelled: the floating voters, the conscientious objectors, the new beginners, the incrementalists, and the proven enthusiasts. The *floating voters* (four authorities) had simply not brought this aspect of the community care changes to the fore in the period between the Act (or perhaps since Griffiths) and our interviews in early 1991. Other changes had greater priority. Two authorities could be described as *conscientious objectors*, having considered the arguments for tighter specifications and contracts but rejected them. In one Conservative authority, both director and chair favoured a move to more service level agreements, though members were unconvinced. One Labour authority had decided not to move towards contract specifications unless the present government 'is still the government in four years time and they force us down that

line, ...but I don't like doing it and I won't ██o ████ ██e *new beginners* (five authorities, all Labour) had decided to use service sp██ ████ons and contracts but had not yet introduced new arrangements. This w██ ██████imes a question of timetabling, and sometimes a result of the gradual evap██ ██ ██pposition among officers or members, who had earlier been reluctant to ████card ██uccessful grant-aid links. The nine *incrementalist* authorities had decided to expand their use of contracts, though carefully and relatively slowly. Typical of this approach was some gradual tightening up of existing links with other agencies, but no issuing (yet) of new service specifications. Expansion of service specifications and contracts was anyway ruled out in some authorities if it required contraction of public sector provision. Finally three authorities, all Conservative controlled, were *proven enthusiasts*, having already drawn up service specifications or contractual links for many of their services; indeed, these were the only authorities yet to issue service specifications as described in the government's guidance.

Although having numerous advantages, service specifications can be cumbersome and demanding, particularly if 'consumers, carers and other relevant bodies or individuals' are to be involved (Department of Health 1990, para. 18). For this reason, in the USA for example, less detailed service specifications are usually issued when more competition for contracts is expected, when the service needs of the population are less easily defined, and when flexibility and responsiveness are essential. Similar concerns were commonly voiced by our interviewees in attempting to balance accountability and the clear specification of tasks with the promotion of innovation and autonomy and the avoidance of impossible administrative costs. There was little support for tightly drawn specifications or contracts (although one Labour chair rejected social care contracts altogether because they could not be specified tightly *enough*), and the expressed desire was for flexibility and trust. As one respondent remarked:

> The kind of Xshire model of specifying how many potatoes on a plate every day is the wrong way to go about it. You have got to establish a set of quality standards and principles that you first ask potential contractors if they can meet, and then have some simple performance measures to indicate whether or not they are achieving those standards...I don't believe that you can specify care in the same way as you can specify how to resurface a road.

Another voiced similar reservations:

> There are problems with competitive tendering and contracting in welfare. You can tie things down so tightly that if you don't have enough specification then people will find a way through it, and if you write a specification which is over-tight they can't adhere to it and it becomes impossible to monitor. So we will probably be using general specifications of what we want and doing business with people we know that we have worked with before.

Few authorities had seriously considered the *tendering* procedures to be used – the degree and openness of the competition. A small number of authorities reported some form of competitive tendering. Taking advantage of the phased implementation of the Act, one authority was looking at those agencies which had

previously tendered fo   erial care and was compiling a list of 'contractors designate' in which th   rity had confidence: one of a few examples we found of *select list tender*   competition may or may not be a feature once the shortlist has bee   A second authority had used select list tendering to invite three volurtary   ncies to tender for a children's rights officer, to stimulate offers to run a hostel, a d for some research work. Generally, however, examples of tendering were rare; few authorities had reached a stage where it was necessary.

MARKETS AND COMPETITION

It is anticipated by the government that pluralism will facilitate innovation, and that competition between service providers will enhance choice and cost-effectiveness. In principle, a local authority will select the service provider(s) who comes closest to meeting its needs at the quality and quantity required and at an affordable price. Given observable and easily monitored service and client outcomes, and complete certainty as to the future behaviour of suppliers, the decision will be straightforward. But these conditions do not often apply in social care where the 'commodities' for sale and purchase are different from those in the high street. Interviewees identified four difficulties: too few suppliers, the sloping playing field, high transaction costs, and a tension between price and quality competition.

Too few suppliers   It was frequently suggested that existing private and voluntary agencies would be unable to provide sufficient services of the requisite standard to replace local authority provision, and that new providers might find it hard to become established. For example, smaller non-statutory agencies might find the administrative overheads of contract bidding and negotiation excessive; a concern occasionally voiced in our interviews. New suppliers might find it hard to compete with aggressive under-pricing by established suppliers. The latter would have some clear advantages: short lead times, complex service specifications, knowledge of a local authority's preferences and demands, and embeddedness within decision-making processes. Coupled with the pecuniary and administrative attractions of the large block contract with a single supplier, it is no surprise that some authorities have already decided to invite only existing suppliers to tender. Whether this will mean monopolistic local authority provision being replaced by monopolistic voluntary, 'not-for-profit' or private provision, with the latter arguably subject to more drawbacks (such as uncertain supply or lack of control) remains to be seen.

The sloping playing field   Some respondents argued that local authorities were not being given opportunities to compete equally with the private and voluntary sectors. The 1993 social security changes were seen effectively to contain an inbuilt disincentive to continue providing residential care. More immediately, uncertainties about the legal status of local authority inspired trusts and the entitlement of their residents to social security payments tended to confirm local authorities' concerns that they were competing on an uneven playing field. In one authority, the SSD's not-for-profit trust had just had its application for benefits eligibility rejected. The director's view was that:

This really is ironic isn't it? I don't think we   ve a problem with plain straightforward marketing, managing in a comp   environment. We have got to make our establishments [survive] in com   . The customer gains and we have got to balance profit, achieve valu   ey and quality, sell our product, market it. Great! Love to do that. Bu   a blooming brick tied round your foot. That is a very devious ploy t   ve the staff from the local authority.

High transaction costs If a decision is taken to contract with non-statutory organizations, there are numerous reasons why a local authority might prefer a voluntary supplier to a private (for-profit) organization. There is, for example, a common preference for voluntary suppliers where the monitoring of service quality and outcomes is difficult (the *transaction costs* are high). Thus when outcomes are intangible, complex, infrequently produced or of long gestation, or when service users have less chance to voice their opinions (due to service complexity or individual disabilities), local authorities would generally be more likely to prefer voluntary to private providers. The voluntary body engenders greater trust because 'profits' cannot be distributed to any owners, and because directors or trustees gain no financial benefit if the organization prospers. One Labour chair commented: 'I'm not sure that market forces can operate successfully in social service provision. It's business oriented, and if they are not making it pay they can pull the plug and say, "I've had enough of this; I'm not making any money". What happens to clients?' Competition means losers as well as gainers; the fall-out from a crashed non-statutory provider will hit clients and local authorities harder than anyone else.

Local authorities had other reasons for preferring voluntary to private providers. Many voluntary organizations have long track records and good reputations, with management boards often sharing the philosophies of local authorities. Private agencies frequently will be selected only if the higher transaction cost of contracting with them is outweighed by greater efficiency, better service quality, or a stronger commitment to conform to local authority specifications.

Price or quality competition? The final concern stemmed from scepticism that price competition – which many interviewees saw lurking behind the community care reforms – could ever work. Only in the classic *buyer's market*, with numerous high quality providers of a reasonably homogeneous product (such as residential or basic home care for elderly people) would there be validity in the argument that local authorities can negotiate with suppliers on favourable terms, create pressure for efficiency and effectiveness, lessen the chances of the abuses that come from monopoly power, and offer a wider choice to clients. More likely was the *seller's market*, with competition judged in terms of the quality and nature of the product rather than price.

These concerns about market forces underlie the present reluctance of most authorities to develop social care markets. There were also, of course, fundamental ideological objections to competition in social care, including the desire to preserve the authority's own provision and/or to abide by local 'no redundancy' policies. Some authorities thought it premature to prepare market development plans before

they had mapped needs   greed broad strategies about the services required
to meet them. Some a   ies simply questioned the idea that they should be
market making. Thus   director said: 'Shaping markets? I don't know whether
local authorities h   ny business trying to do that.'

According to   director:

> The over-riding culture is. . .to see different needs and to see different ways
> of responding to those needs, but not completely rewriting the rule book and
> moving into the business culture. . . .I think in terms of looking at things
> differently, more effectively, being sharp, all those sorts of things are around.
> But [we must] really hang on to what are seen as public sector values.

The over-arching objection to markets or the primary source of scepticism about
the benefits of competition was that *social care is different*. This view transcended
political boundaries. Authorities that saw few advantages in promoting competition
for most social care services had nevertheless often welcomed competitive tendering
for cleaning, laundry and transport services. Local authorities which had welcomed
the community care reforms most enthusiastically were generally those which had
made most progress in actively developing or exploring a mixed economy. We
might speculate that the greatest dangers face not these 'enthusiasts', but some of
the authorities who follow them, perhaps reluctantly (prodded along by whatever
incentives or threats), without adequate preparation or experience.

THE ENABLING ROLE: A MANY-SIDED CONCEPT

As indicated above, one of the principal aims of this study was to examine SSDs'
transition from a providing to an enabling role. In order to understand authorities'
responses to *Caring for People*, and the pace and direction of movement towards
the enabling role we need to be clear about who is being enabled, to what end
and by whom? An analysis of both the literature and our interviews suggests that
there are three 'models' of enabling in respect to these questions: enabling as personal
development; enabling as community development; and enabling as market
development. While each implies different roles, tasks and emphases for SSDs, they
should be seen as neither mutually exclusive nor necessarily mutually reinforcing.
Nonetheless, the ability of directors, chairs and their colleagues to invest the same
concept with different meanings was responsible for wide variations in the ways
in which they approached the implementation task.

Enabling as personal development
At the heart of this 'model' is the maximizing of individuals' potential: it implies
enabling individual users and carers to influence the design and delivery of services
so as to improve their welfare and let them participate in 'ordinary' lifestyles. It
implies too a commitment to develop services which enable carers not only to
care but also to share in patterns of everyday living. This approach to enabling
has been the driving force behind, for example, the All Wales Strategy (Welsh
Office 1983), the Care in the Community demonstration programme (Knapp *et al.*
1992) and the 'ordinary life' initiative (Towell 1988). It is, moreover, consistent

with some of the most fundamental and enduring   s of social work practice
(Utting 1990). The underlying aims and objectives   *ing for People* (see for
example paras. 1.8.–1.11 and 2.1–2.2) strongly refle   his   icept of enabling and,
in this respect, the White Paper is clearly based on con er   good practice which
have emerged from the field in recent years (Wistow an   Henwood 1991). It is,
no doubt, largely because of this background that this version of the enabling role
was generally recognized and supported by the authorities in this study.

Enabling as community development

In contrast with the previous emphasis on enabling as empowering individuals,
this second 'model' has a stronger focus on collective action. It contains two central
elements: first, the mobilization and support of community-based resources,
especially those of the informal and local voluntary sectors, to foster participation
and democratize decision making; and second, a role for social services authorities
based less on direct service provision and more on shaping the wider range of
resources available within their communities. These elements are the essence of
the enabling role as it first came to be expressed in the personal social services
by Barclay (1982) and Fowler (1984) and, to some degree, Griffiths (1988). In
addition, they are consistent with the community social work tradition which,
although a minority influence within the social work profession, can be traced
back to the Seebohm Report (1968) and beyond. More generally, Stewart (1986),
Brooke (1989) and Clarke and Stewart (1990) have developed similar concepts in
relation to an enabling role for the local authority as a whole.

Despite these antecedents, this version of enabling was largely eclipsed in the
White Paper by the new emphasis on contracting and creating markets. It briefly
recognized the importance of 'allowing scope for the emergence of new, small-
scale groups and avoiding the over predominance of large, well-established
voluntary bodies' (para. 3.4.14); but this concept of enabling was largely over-
taken by the purchaser/provider framework and a 'contract culture'. The latter
concept appeared less acceptable than 'softer' notions of working with and alongside
local groups to enable them to develop their own services, albeit increasingly within
a framework of service agreements rather than general grant aid.

For a small number of our sample authorities, especially Labour authorities
influenced by the wider concept of the enabling authority, it was this view of
enabling as community development which they have taken from the White Paper
and which provided the framework within which they were seeking to diversify
supply through the promotion of local and community-based services. These
authorities are to be found within the two groups described earlier as 'new beginners'
and 'incrementalists'. It was also because some authorities interpreted enabling in
terms of strengthening informal and neighbourhood care that they saw the inherent
fragility of such care systems as an obstacle to the creation of a mixed economy.

Enabling as market development

The concept of the enabling authority outlined in *Caring for People* (3.4.1–3.4.8)
included three central elements: the separation, to some degree, of purchasing and

providing functions with others; the development and support of increased levels of activity by private and not for-profit providers; and the regulation of provider agencies in all sectors (including the public sector) through procedures of service specification and contracting. It recognized that alternative providers were underdeveloped, especially outside the field of residential care. The role of SSDs was therefore to create as well as manage the mixed economy; a task which bore at least some superficial resemblance to the earlier tradition of enabling.

Nonetheless, as our discussion of enabling as community development implied, and the findings of our fieldwork confirmed, such activities are not to be confused with organizational arrangements based upon the creation of a distinct purchasing function and the promotion of competition between provider agencies. More fundamentally, the White Paper's description of the enabling authority represents the translation of the culture and values of 'the new public management' into the personal social services. Rhodes (1991), summarizing Hood (1991), describes the principal elements of this approach as comprising

> the following central doctrines: a focus on management, not policy, and on performance appraisal and efficiency; the disaggregation of public bureaucracies into agencies which deal with each other on a user-pay basis; the use of quasi-markets and contracting out to foster competition; cost cutting; and a style of management which emphasises, amongst other things, output targets, limited term contracts, monetary incentives and freedom to manage (Rhodes 1991, p. 1).

That we categorized only three of our authorities as 'enthusiasts' for market making indicates the present gulf between most SSDs and the kind of enabling role envisaged by the White Paper and reflected in many of the above 'doctrines'. That so many respondents, of all political persuasions, emphasized that social care is different in kind from other public services can be seen to raise questions about the limits of markets and/or the discrepancies between the traditional values and assumptions of social work and the personal social services and those underpinning the 'new public management'.

That gap in cultures would help to account for the difficulty for interviewees in the pilot stage of our study in responding to our questions about 'market strategies' (after which we dropped this terminology) and the subsequent rarity of the language and concepts of market creation. Indeed, it cannot be emphasized too strongly that whereas the first two versions of the enabling role are rooted in established concepts about what ought to comprise good practice in the personal social services, this third 'model' has no such roots, with the result that many members and officers questioned its compatibility with the values and nature of social care. However, it would be a mistake to imply that nothing has, or is, changing in the management of social and community care: concepts like competition, purchasing and market creation may have had limited appeal in most of our authorities, but there was equally little support for maintaining the status quo.

TOWARDS A MORE MANAGED ECONOMY OF CARE?

The term 'managing a mixed economy' implies diversity of supply and a purchasing function capable of specifying requirements in terms of identified need, together

with systematic procedures through which an app⬛⬛⬛⬛te volume, mix and quality of supply can be purchased and monitored. It follo⬛⬛⬛⬛ our previous discussion that only a small minority of authorities were seek⬛⬛⬛ t⬛ ⬛velop such comprehensive arrangements. However, some of their componen⬛ ⬛⬛e being developed by the majority of our respondents. We summarize our ⬛ndin⬛s below in relation to the purchasing and supply functions.

Developing a purchasing function?

At least a third of our sample authorities had not yet decided how to map need, partly because they saw this as a priority for 1991–2 in producing their first community care plans by 1st April 1992. Few were attempting to link assessments by care managers with longer term, authority-wide projections or community-based surveys of need. Most, however, were seeking to map need as fully as possible from a variety of existing sources and just over a third were involving health service agencies and/or users. Whatever the deficiencies of these arrangements, the requirement to produce a community care plan was prompting the more systematic assembly of data and this process seemed likely to accelerate.

Little work was being undertaken to develop the information base on supply. The diverse and changing population of voluntary organizations has presented perennial difficulties for statutory authorities seeking a detailed map of that sector and it was widely acknowledged that their knowledge of the smaller-scale, less formally organized and possibly short-lived service providers would invariably be incomplete or poor. SSDs are no better informed about the private sector: they were aware of the provision that they register (residential care) but if it is not registered they are unlikely to be aware of its existence, certainly at headquarters level. Moreover, even the registered private sector was in some respects even more fragmented than the voluntary sector, usually lacking the latter's intermediary and other umbrella groupings.

There was considerable variation in the extent to which SSDs were developing linkages between themselves and non-statutory providers. Only three departments had established a separate purchasing function and begun to draw up a comprehensive set of service specifications and contracts covering all services and sectors: but there were only two 'conscientious objectors' who had rejected the case for tighter specifications and contracts. Most authorities had decided to introduce or expand such procedures, though most had yet to decide on the type of tendering processes, and thus the degree of competition, to encourage. The gradual development of service specification and contracting procedures was largely confined to relationships with the voluntary sector, mainly because most authorities strongly preferred to work with traditional voluntary and new not-for-profit organizations – another reflection of their doubts about the compatibility of markets with the provision of social care.

Relationships with private sector providers remained little changed and were primarily conducted through the traditional regulatory framework of registration and inspection. The delay in implementing the social security changes in the 1990 Act had also limited the formalization and extension of relationships with the private

sector; the immediate imp____ to develop contracts with private residential and nursing homes had bee____ed. This factor may also have contributed to the absence in most auth____s of a distinct purchasing function, a capacity which necessarily would n____ve been developed if the original timetable had been maintained.

Developing a supply function?

On the provider side of the mixed economy, two conclusions should be highlighted. First, almost all of the sample authorities emphasized the value and valued contribution of public sector provision. They were not uncritical, acknowledging some inflexibility and lack of responsiveness; but the majority felt that the public sector had provided good quality services and should continue to do so. In effect, local pride was expressed in the defence of local public services. Second, however, many authorities were at least beginning to question whether the public sector should or could remain the provider of so comprehensive a range of services. This issue was sometimes raised *sotto voce* and with the acknowledgement that staff and other members of the committee or ruling group might not yet agree. In a number of localities, however, budget making was tending, if not towards market making, then at least towards an implicit recognition that the gap between needs and resources could not be closed using existing services and service mixes.

It was not surprising, therefore, that the most significant and substantial interest in diversifying supply surrounded the possibility of establishing not-for-profit trusts providing residential services and, less frequently, day care. Their significance is three-fold: first, they were resource-driven initiatives designed to generate income by shunting costs to the social security system and/or to gain capital through the Housing Corporation; second, they were generally the subject of single supplier negotiations; and third, if successfully established, they implied a substantial reduction in the SSD's role as a direct provider – even though they were designed to enable the local authority to retain considerable influence, if not control, over the services divested. Even so, such arrangements would not, at least in the short term, generally lead to greater choice or variety in services; nor indeed were they designed with such objectives in mind.

Beside these initiatives, many of which were halted pending the Department of Health's guidance on their legality, the diversification of supply was both limited in scale and of a different order. In particular there was a tendency for it to be conceived as augmenting rather than substituting for public sector provision, at least in the short term. Some existing non-statutory services were established in the latter mode and became subject to a new and more precise regime of specification and service agreements. In the case of new developments, the tendency was to encourage those where SSD services were not direct competitors.

One pattern beginning to emerge in a group of five (Labour) authorities was the development of localized services provided by community and neighbourhood groups. This pattern clearly corresponds to the model of enabling as community development and, indeed, was encouraged with that objective in mind. Examples included services for ethnic minority groups and local luncheon clubs. Their purpose

was not to replace extant statutory provision but ͏ ͏ ͏ ch those parts it currently failed to reach. The longer-term consequences of ͏ ͏ ͏ ͏ success, however, might be to undermine the viability of statutory services.

Generally speaking, we may conclude that there is an emerging shift in what Vickers (1965) termed 'appreciative judgements' in that the pre-eminence of statutory services was no longer assumed. A more mixed economy of supply was considered inevitable, though it was the residential sector (where resource incentives were mostly apparent and immediate) to which the divestment of provider functions was very largely confined. Little was being done to promote the diversification of supply in the domiciliary services sector (only in one authority were non-statutory agencies being encouraged to provide such services on its behalf). Our work, however, is a study of only the *beginning* of the process of change initiated by the White Paper and its phased implementation has taken some of the pressure off both the development of contracting and the diversification of supply. Moreover, the extent to which the economy of care is both mixed and managed reflects patterns of incentives which are not immutable. Whether these will lead, in time, to the outcomes that the government intends the mixed economy to secure – competition, choice, cost effectiveness and more fulfilling lifestyles for users and carers – cannot yet be predicted.

Conclusion

Our findings highlight the constraints on implementation which arise when the interests and values of those agencies responsible for implementation are directly threatened by the consequences of actions they are required to take. Such threats lead not only to reluctance or recalcitrance but also to a redefinition of policy intent in ways compatible with their values and interests. In this case, the values underpinning the government's concept of the enabling role were in conflict with those which traditionally have been dominant in social work and social care – as well as being threatening to the current framework of provider agencies. Hence the emphasis (evident in authorities of all political complexions) that 'social care is different'; that the introduction of service specifications and price mechanisms is neither appropriate nor feasible in services dependent upon the quality of interpersonal relationships and flexible responses to individual need. Ridley (1988, p. 18) has described such views as 'sentimentality' but they formed an important element in the implementation gap identified here. Also at stake is the extent of local discretion in the selection and design of policy instruments. If community development can deliver cost effectiveness, choice and innovation, will it be accepted as a legitimate alternative to market creation? Alternatively, will the shift from providing to enabling prove to be dependent upon the extent to which a market in social care can effectively be stimulated and sustained? Whatever the outcome, this policy area promises rich opportunities for studying not only the potential contributions and limits of markets in human services but also the continuing struggle between central and local government over definitions of their respective roles and functions.

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ISSUE NETWORKS AND THE RESTRUCTURING OF THE BRITISH AND WEST GERMAN COAL INDUSTRIES IN THE 1980s

. ANDREW J. TAYLOR

This article uses policy network theory to examine comparatively the politics of the British and West German coal industries in the 1980s. It considers the reasons why policy in Britain was directed at restructuring and in West Germany at preserving the industry's existing structure. It focuses on the dynamics of network stability and change, and the growing importance of the international dimension in domestic policy making, a factor overlooked by network theory. The article contrasts the Thatcher and Kohl governments which, though both avowedly committed to free-markets, pursued very different policies in the coal industry. The article concludes with a brief assessment of network theory.

ISSUE NETWORKS AND COAL POLICY

Britain and West Germany have the largest deep-mined coal industries in Western Europe (James 1984; Morgan 1989). For historical, ideological, social, political, and strategic reasons governments have protected the industry by encouraging the electricity supply industry (ESI) to buy domestic coal. In the 1980s conservative governments in both countries sought to reduce public support and accelerate the restructuring of the coal industry (IEA 1988). This article examines the process.

The article has three objectives. First, it is intended to be a critical contribution to the policy network literature with a particular emphasis on explaining change. Network theory developed from the work of Heclo (1978); its development in the UK context can be traced via Rhodes (1985, 1989) and Rhodes and Marsh (1991a, 1991b). Second, it is a truism that different governments faced by similar policy problems often develop differing solutions but the literature lacks a comparative dimension to explain why (Wright 1988). Whilst acknowledging that network theory was developed primarily to analyse the British and American experience this does not preclude automatically its use in comparative analysis. Indeed, the comparative analysis of public policy will enhance the utility of network theory and increase our understanding of policy making generally. Third, how

Andrew J. Taylor is a Senior Lecturer in Political Studies in the Department of Humanities at the Polytechnic of Huddersfield.

many of the determinants of domestic policy are truly 'domestic'? Growing inter-
national economic interdependence and the erosion of national sovereignty must
have an influence on the domestic policy process but are largely ignored by network
theory. In making coal policy both the international coal trade and the European
Community (EC) are now significant influences.

. Policy communities and issue networks differ according to their internal
coherence, stability over time, the distribution of power resources amongst
participants, and the degree to which bargaining occurs between equals (figure 1).
Policy communities and issue networks are ideal types on a continuum of interest
mediation, intermediate cases being defined usually by reference to a pre-eminent
interest, in this case the coal producers. This article is not concerned with the policy
community pole which, in the energy sector, is characteristic of the nuclear sub-
sector. An issue network has a limited number of participants enjoying access to
government, deliberate exclusion is unlikely but can occur. Participants need not
subscribe to a common ideology or policy perspective and there may well be serious
internal disputes, but all agree on the legitimacy of involvement in the network.
Within the network there is a hierarchy with some participants enjoying closer
contact with government than others, bargaining resources will be unequal and
government will be the dominant participant. This may lead to the exit (forcible
or otherwise) of a loser, interaction is based on negotiation (not bargaining between
equals) and group leaders may not be able to deliver their constituencies. The central
theme of this article is that the British coal industry has shifted from the policy
community end of the spectrum to an issue network, whereas in West Germany
this shift has not taken place and the article examines the reasons for this differential
shift.

The internal politics of policy networks are based on a continuously negotiated
consensus. The source of change is primarily economic but in this case study the
content and scale of change is directed by governments ideologically hostile to
the policy associated with the policy network. The source of change is conven-
tionally portrayed as exogenous to the policy network, but endogenous to the
political system in which the network is located. The internationalization of
domestic economies means 'exogenous' must now also include geographically
external sources of change: international coal prices and the European Commission
(EC) (Rowthorn and Wells 1987; Deubner 1984; Wallace 1984). These factors,
mediated by the Thatcher and Kohl governments, underpinned the change in coal
policy. The making of coal policy in the 1980s was characterized by consultation
between many participants and fluctuating access (the main losers being the
mineworkers' unions and coal producers), the electricity generators being the main
winners. The coal networks were increasingly characterized by an absence of
consensus, increased conflict and an unequal power relationship, dominated
originally by coal producers but latterly by the ESI. As a consequence of govern-
ment policy, coal consumer interests came to the fore; these are willing to consult
with coal producers but not bargain. Issue networks are therefore characterized
by a marked imbalance of resources and access to decision makers, and a lack
of alternative policies. Government, is, in the final analysis, the dominant influence.

FIGURE 1 *Types of policy networks: the characteristics of policy communities and issue networks*

DIMENSION	POLICY COMMUNITY	ISSUE NETWORKS
1. MEMBERSHIP		
(a) Number of participants	Very limited number, some groups consciously excluded	Large
(b) Type of interest	Economic and/or professional interests dominate	Encompasses range of affected interests
2. INTEGRATION		
(a) Frequency of interaction	Frequent, high-quality, interaction of all groups on all matters related to policy over time	Contacts fluctuate in frequency and intensity
(b) Continuity	Membership, values and outcomes persistent over time	Access fluctuates significantly
(c) Consensus	All participants share basic values and accept the legitimacy of the outcome	A measure of agreement exists but conflict is ever present
3. RESOURCES		
(a) Distribution of resources (within network)	All participants have resources, basic relationship is an exchange relationship	Some participants may have resources, but they are limited and basic relationship is consultative
(b) Distribution of resources (within participating organizations)	Hierarchical, leaders can deliver members	Varied and variable distribution and capacity to regulate members
4. POWER	There is a balance of power between members. Although one group may dominate, it must be a positive sum game if community is to persist	Unequal powers, reflects unequal resources and unequal access. It is a zero sum game

Source: Rhodes and Marsh 1991b, forthcoming.

THE POLITICS OF COAL

The British and West German governments believe the free market should be the basis of energy decision making. In 1980 David Howell (Secretary of State for Energy) defined government policy objectives as ensuring 'the adequacy, security, and efficient use of energy supplies at the lowest practical cost to the nation in terms of real resources after paying due regard to safety and environmental considerations' (HC 114–I, para. 20, p. 18). In 1983 the Federal Government sought to ensure 'a safe and economical supply of energy. . . .that takes due account of environmental requirements' (BMWI 1986, p. 48). In both countries coal would remain important but its decline would continue as nuclear power took a larger share of electricity generation. There were, however, significant differences in coal policy between the two countries (figure 2).

In 1980 the National Coal Board (NCB) concluded an accelerated closure programme was necessary to meet the financial objectives set by the government. After backing down in the face of a threatened coal strike in 1981 the government and NCB proceeded cautiously but overall policy did not change, culminating in the 1984/5 dispute and rapid restructuring (Taylor 1987). The DEn and industry abandoned output targets substituting cost and market criteria to determine capacity and output; typical was Peter Walker's (then Secretary of State for Energy) statement that 'Coal has a very important *potential* share in the market' (HC 196–II, p. 4, MMC 1983, paras. 5.10–5.12). This contrasted with West Germany where the *Verstromungsvertrag* (Electricity Generation Agreement) set the coal policy framework until 1995. Like the British *Plan for Coal*, it was undermined by low international coal and oil prices which increased the cost of public support to unprecedented levels. Caught in the same dilemma as their British counterparts, and confronted by a dissolving energy consensus, West German policy makers resolved to 'maintain its coal policy to secure supplies and in the interests of the people who work in coal mining areas' (BMWI 1986, p. 48). This entailed both social aid and a high (and increasing) level of production aid to bridge the gap between domestic and international coal prices.

West German policy was determined by the *Third Law on the Use of Coal in Power Production* (1974, modified 1980) which underpinned the 1980 *Jahrhundertvertrag* (Contract of the Century) which required the ESI to buy domestic coal in increasing amounts until 1995 (from 30mmt. to 46mmt.), coupled with import restrictions. The price paid by the ESI is intended to cover the coal industry's breakeven costs and compensated them for using high cost domestic coal rather than imports. Every year a levy (the *Kohlepfennig*) set by the BMWI (the Federal Economics Ministry) is imposed on electricity bills, the income is placed in the *Verstromungsfonds* (power production funds) which settles the claims of the ESI. Between 1975 and 1987 the levy ranged from 3.24 per cent to 7.5 per cent but the fall in oil prices and the depreciation of the dollar put the funds under increased pressure. The Kohl government concluded the industry could not rely indefinitely on this degree of support, and policy was thrown into further disarray by EC regulations of July 1986 which confined state aid to phasing out uneconomic output.

FIGURE 2   *The coal energy sub-sector: the producer issue network in Britain and West Germany*

DIMENSION	ISSUE NETWORK	COAL SUB-SECTOR	UNITED KINGDOM	WEST GERMANY
MEMBERSHIP:				
Number	Large	Sponsor ministry	Dept. of Energy	BMWI
Type	Encompasses major interests	Coal producers	NCB/BC	Ruhrkohle etc.
		Mining unions	NUM etc.	IGBE
		ESI	CEGB	RWE etc.
		Territorial	Coal Communities	Länder
		International	EC/Coal Trade	EC/Coal Trade
INTEGRATION				
Frequency	Fluctuates	Sub-sectoral framework of interaction	Nationalization, subsidy policy	Basic and Coal Use Law Codetermination Laws
Continuity	Access fluctuates significantly	Group involvement	Tripartism	Partnership
Consensus	Some agreement but conflict present	Policy parameter	Modified market	Modified market
RESOURCES				
Distribution:				
a) network	Some actors have resources, basic relationship is consultative	Producer dominated	Shift to consumer ESI from producer	Decline in producer influence
b) actors	Varies/variable	State dominant	Free market	Attracted to free market
POWER	Unequal, zero sum game	Outcome determined by government	Free market	Attracted to free market

The 1987 Coal Round negotiations (involving the coal companies, the unions, the ESI, the Länder, and the Federal government) agreed to cut output by 15mmt. by 1995 with the loss of 30,000 jobs.

As in Germany, market allocations have been modified by the state encouraging the Central Electricity Generating Board (CEGB) to burn British coal. During the 1980s government progressively freed the CEGB to determine its fuel mix whilst imposing strict financial criteria on the coal industry with the ultimate objective of privatization. The BC-CEGB relationship was not regulated by law. Between 1979 and 1985 the relationship with the CEGB was governed by the *Joint Understanding* under which the CEGB agreed to take 75mmt. of domestic coal but was permitted to import additional tonnages as it thought necessary. As in West Germany changed circumstances forced a renegotiation. The *Revised Joint Understanding* (Nov. 1983–Oct. 1987) contained two key changes: rather than take a fixed volume of coal the CEGB undertook to buy not less than 95 per cent of its coal from the BC. Of this, a base amount (65mmt.) was priced according to a formula which combined domestic mining costs, UK inflation, and world coal prices. In June 1986 the *New Joint Understanding* (originally to run until March 1991) divided tonnages and prices into three tranches reflecting the competitive threat of imported oil and coal to inland power stations. Under contracts signed in 1990 the privatized generators, *National Power and Power Gen*, are committed to buying a total of 205m. tonnes of coal from British Coal until March 1993. Though both will buy substantial amounts of UK coal, they will burn significantly less. The Understandings were regarded by government as freely negotiated commercial contracts under which there could be no government aid to support consumption. Direct government support to the industry changed dramatically and contrasts sharply with the support provided in West Germany. The general deficit grant was intended to bridge the gap between BC's costs and income but in 1987/8 the deficit grant ended and all aid related to social costs arising from restructuring. The consequences of these policies can be seen from table 1. In West Germany restructuring aid remained very low compared to production aid and price support, whereas in the UK although total aid increased, production aid (notably deficit grants) declined (except for 1984/5) and then disappeared whereas restructuring aid rose dramatically. This analysis points to a fundamental difference between West German and British coal policy: in the former policy was directed at *preserving* the industry's existing shape; in the latter it was directed at *restructuring* in the direction of the free market. How can these differences be explained?

THE COAL INDUSTRY NETWORK

The core actors in the coal network are the sponsoring ministries, the electricity generators, the coal producers, and the mineworkers unions. A further factor which must be included is the international dimension, but it cannot be regarded as an 'actor' in a conventional sense.

TABLE 1   The British and West German coal industries: the cost of public policy (Nominal US $ million)

	1982	1983	1984	1985	1986	1987
Production Aid						
West Germany						
Current output	794	598	787	639	1163	2157
Price support	962	1461	1617	1222	2401	3600
Total PSE	*1703*	*2000*	*2346*	*1975*	*3463*	*5815*
United Kingdom						
Current output	663	1326	2803	98	454	170
Price support	362	671	390	485	1180	nd
Total PSE	*1025*	*1997*	*3193*	*583*	*1643*	*nd*
Restructuring Aid						
West Germany	186	162	128	127	179	nd
United Kingdom	343	673	479	1465	1770	nd

PSE = Producer Subsidy Equivalent.
nd = no data available.
Source: IEA 1988, table D–5 and D–13.

i) The sponsoring ministries

The Department of Energy (DEn) and the Federal Economics Ministry (BMWI) oversee the energy sector. The British coal industry and coal policy suffered from a conflict between its production and social obligations, one of the justifications for public ownership being the neglect of these issues under private ownership. Though formally independent of the minister, the relationship was intimate because of the industry's political and economic importance and the powers allotted the minister under the Act. The minister, in effect, determined 'the public interest' and the industry's financial dependence on government underscored this. There are two broad schools of thought concerning the political management of the coal industry. The first argued ministerial interference prevented management from carrying out its duties under the Act to avoid the political costs of unemployment and placate a powerful trade union. Consequently, the management became incapable of effective decision making and looked to government to solve its problems. An alternative view is that ministerial control was lax. Lacking technical and business skills, ministers and civil servants were content to allow the industry (dominated by mining engineers concerned with output) to run itself. Being a monopoly it had no efficiency incentive, and a comfortable relationship developed between the board and the ministry largely free from detailed scrutiny. The established convention was that ministers and civil servants should not attempt to manage the industry or impose their commercial judgement. The DEn distinguished between government setting overall objectives whilst leaving implementation to management. The then Secretary of State, Peter Walker, agreed the DEn should always favour minimal intervention and this conforms with the

long established practice of avoiding a formal relationship between the minister and the industry's management (HC 165, paras. 204–5, Burgi 1985).

In the absence of nationalization the BMWI has been more able to stress the virtues of the free market in energy policy. Frequent energy statements have, nonetheless, been published (for example, 1973, 1974, 1983, and 1986). The result is a role for the BMWI not dissimilar from that of the DEn. The former has always believed energy too important to be left to the private sector, but the energy statements are not planning documents. The programmes (often using data not endorsed by the BMWI) are intended to provide a frame for market decisions and promote partisan adjustments between and within the policy network; to facilitate this the BMWI deploys a number of policy instruments (price controls, subsidies, voluntary agreements, for example) Lucas 1985, pp. 255–61).

Within the West German coal policy process the idea (rather than the reality) of free market allocations is generally unchallenged, a consensus reinforced by the absence of any politically viable alternative such as nationalization. However, because the free-market concept is so readily accepted it remains vague, meaning whatever the participants want. Also participants accept the free-market is the predominant economic factor but should be placed *alongside* not above political, regional, social and other factors. The ranking, or mixture of factors, could (and has) varied dramatically over time depending on the policy objective of the network. Consensus building is traditionally dominated by the producers (including the unions and the coal-producing Länder) with government contenting itself with making marginal policy adjustments. State involvement in 'crisis' industries increased in the 1970s (74 per cent of Saarbergwerke, for example, was publicly owned) but this led not to pressure for privatization but for the continuation of the status quo (Esser 1988).

Ministerial imposition of policy is neither politically nor institutionally feasible in the Federal Republic because of two obstacles not present in the British system: the Länder (see later) and an autonomous ESI. There is no British equivalent of, for example, *Rheinisch Westfälisches Elektrizitätswerke AG* (RWE) which has a presence in both the public and private sectors, a political presence in every level of the Federal Republic from the communes upwards, is involved in virtually every segment of the ESI, and is also influential in non-ESI industrial sectors. This horizontal and vertical presence makes it extremely difficult (although not impossible) to make policy without RWE's support. British energy policy makers enjoy a more centralized and unitary policy network than their West German counterparts, a difference which also applies to the wider political system and process.

Energy policy making is traditionally less 'political' in West Germany because the BMWI is removed from the social obligations of the British nationalized industry. In West Germany these obligations lie initially with the employer, although the Federal and Länder governments play an important financial and legislative role. Under the Codetermination and Coal Restructuring Laws, employers and employees are required to formulate a social plan which not only compensates those made redundant but makes state aid conditional on the receiving coal companies

reinvesting aid in coal-mining areas. These measures depoliticized what were, in the British context, explosive issues: the destruction of communities, high unemployment, regional deindustrialization and so on. Lucas's description of West German energy policy as 'driven. . . . by market forces operating within a framework determined to a substantial degree by government decision' applies equally to the UK (Lucas 1985, p. 257).

ii) The electricity supply industry

Under the Basic Law (1949) Länder governments are sovereign, not provinces of the Federal Republic, and are responsible for all activities not specifically allocated to the Federal Government. Bonn is, of course, responsible for the most important legislation and federal law has primacy, but the decentralization of administration and implementation ensures the Länder (especially the economics ministers) play a crucial role in policy formulation. Article 91a is particularly relevant to coal and energy policy as it identifies the 'improvement of regional economic structures' as a joint Federal-Länder responsibility and has been used to justify aid to the coal industry. Article 74 (74a as amended) gives Länder considerable influence over economic matters (coal and energy are explicitly mentioned) subject to Article 72 requiring Federal regulation to prevent Länder acting contrary to the interests of other Länder or the Federal Republic as a whole.

There exists a major territorial-consumption cleavage in West German energy politics. There are over 1,000 supply and distribution companies, although 80 per cent of electricity is provided by the eight companies who form the *Deutsche Verbundgesellschaft* (DVG). DVG is not a unified entity comparable to the CEGB. Some of its components are nuclear producers compelled to buy high cost domestic coal they cannot burn, whilst others are coal based enjoying a close relationship with their Länder who will fight to preserve the subsidy system. Policy making is made more complex because the ESI is partly owned by the Länder who are alive to any attempt by Bonn to infringe their prerogatives. Two Länder, North Rhine-Westphalia and the Saarland, produce most coal and are by far the largest consumers of coal in power stations. Both are controlled by the SPD and, especially in the former, IG Bergbau und Energie (IGBE, the mineworkers' union) is a powerful local political force. Other Länder whose economies are not dependent on traditional industries or whose ESI are not dependent on coal are reluctant to subsidize high cost domestic coal. Attempts by the Federal Government to reconcile the coal dependent and nuclear dependent utilities and Länder became increasingly difficult, and as the crisis in the energy sector deepened the BMWI worked hard to maintain the consensus (Holmes 1988, pp. 63–8, BMWI 1988; VIK 1989; Bulmer 1989).

This structure contrasts sharply with the UK. The generation and transmission of electricity before privatization was the function of the CEGB which owned the power stations and the national grid. Twelve area boards distributed and retailed the electricity, and coordination was provided by the Electricity Council (the chairmen of the 12 boards, CEGB members, and workforce representatives). Theoretically the production and distribution sides were equal but the system was dominated by the CEGB, a monopoly supplier, technically expert, centrally organized

and directed, with access to policy makers. UK local authorities cannot compare with Länder and have absolutely no influence over local or national economic policy making. The area boards and CEGB were organizationally separate and there was no inter-ownership. West German utilities enjoyed strong local roots whilst in Britain the ESI was a national entity whose operations had no correspondence to the UK's political structure. The critical policy relationship was between central government and the CEGB, so compared to the Federal Republic the policy process was simplified in terms of the number of interests to be reconciled and was both closed and secretive. In Britain when government chose to assert itself no other element in the network represented a significant obstacle (Holmes 1988, pp. 39–46).

iii) The coal producers

West German coal output peaked in 1956, the Federal and Länder governments cushioned decline but the 1966–7 recession transformed the situation. There was a sharp reduction in job opportunities for redundant mineworkers and the mining companies faced increased losses which seemed to foreshadow a major economic and political crisis. The *Kohleanpassungsgesetz* (Coal Adoption Law) of 1968 (negotiated between the BMWI, IGBE and the coal companies) created *Ruhrkohle AG* which absorbed 25 companies with 93.5 per cent of the Ruhr's output, a similar measure for the Saar formed the *Saarbergwerke*. The restructuring was hailed as a major success for *Konzierten Aktion Kohle* (Concerted Action Coal), but (apart from 1968–70) decline continued creating a larger and larger public policy commitment.

Nationalization meant that whilst the British and West German industries faced similar problems, the British industry had more impact on public policy. Postwar fuel shortages meant the initial policy objective was expansion: *The Plan for Coal* (1950) envisaged a 15-year investment programme to produce 240m. tons of coal by 1965, a target regarded by some as conservative. Output peaked in 1952, producing concern over a potential 'energy gap' caused by high demand and the time required to bring new mines into production. The industry became relatively more dependent on high-cost capacity despite modernization, consumers began to search for alternative fuels or more efficient burning technology, and government decided to press ahead with the Magnox nuclear power programme. The *Revised Plan For Coal* (1959) envisaged a coal output of 200–215m. tons by 1965, this was reduced by Labour's 1965 White Paper *Fuel Policy* to 170–180m. tons by 1970 and under Labour the industry's decline accelerated. The 1967 White Paper, taking into account North Sea oil and gas and the AGR nuclear programme, reduced the 1965 target to 152m. tons by 1970. The 1975 *Plan For Coal* envisaged, however, the modernization and expansion of output in response to the oil crisis and the growth in the NUM's power.

Despite the oil crises the long-term trajectory of the British and West German industries remained downwards. With the onset of recession throughout the industrial world in 1980–81 British and West German coal producers found the policy climate shift dramatically against their interests (IEA 1988, pp. 21–9; ILO 1988, pp. 122–42).

iv) The mineworkers' unions

The quiescence of communities with a tradition and reputation for solidarity and militancy in the face of this restructuring has to be explained. Both IGBE and the NUM followed comparable policies until the late-1960s and early-1970s after which they diverged. The surge in militancy in the UK coalfields was to have a crucial effect on coal policy and was a critical factor in explaining the differential change in the networks.

Mining in the Federal Republic has been remarkably strike free. Both unions and the general public regard strikes as the last resort, contrary to both the ideology of social partnership and an industrial relations system based on centralized collective bargaining, plant level worker representation and the 1951 *Montangesetz* (Codetermination Law) (Taylor 1989, p. 40; Markovits 1986). The Codetermination system lays down that a company's supervisory board must contain an equal number of shareholder and employee representatives, together with a number of worker directors on the main board. The works council system has been particularly important as it may conclude agreements (except on wages and conditions of employment) on engagements, dismissals and redundancies, working hours, holidays, piece rates and bonuses, training and welfare services. The works council also plays an important role in formulating the social plan required when major restructuring is proposed by management. It is no exaggeration to argue that the peaceful restructuring of the coal industry was possible only because of the codetermination/works council system and the traditional moderation of IGBE (Helm 1986).

In Britain, worker consultation was only inserted into the 1946 Act as an after-thought. All sides – government, unions and employers – agreed on the separation of management and unions for collective bargaining. The consultation and concilia-tion system lacked authority and many issues this system was supposed to resolve consensually and cooperatively were transferred to the increasingly adversarial and conflictual collective bargaining system. Despite the absence of national strikes up to 1972 industrial relations in mining were very poor. The bulk of conflict stemmed from the byzantine wage system, but this source of conflict was progressively reduced after 1955 and eliminated by the National Power Loading Agreement implemented between 1966 and 1971 which nationalized discontent over low pay and lit the fuse for the 1972 and 1974 strikes (Allen 1981; Taylor 1984).

Up to this point IGBE and the NUM acquiesced in the rundown and were deeply embedded in the network responsible for this policy. This was due partly to the integrative industrial relations system in the case of IGBE and, in the NUM, a commitment to a cooperative and consensual nationalization ethos. A second factor was that both union leaderships accepted the inevitability of decline and restruc-turing, their duty (as this was, they believed, their only realistic option) was to cooperate with management and government to cushion the rundown's impact on those individuals and communities affected, and secure the best terms for those remaining in the industry. A third factor was the presence in government of the SPD and Labour Party in the late-1960s. The ties of history and sentiment between the mineworkers, their union and 'their' party inhibited IGBE/NUM from taking any

action other than acquiescing for fear of damaging the SPD/Labour Party's govern-
mental image. Both IGBE and the NUM also accepted that in a liberal democracy
industrial action should not be used for political purposes and sought to change
policy from within the network.

In Germany acquiescence continued (and continues) but in Britain it broke down
in a wave of unofficial strikes (1969/70) which brought to prominence a younger
generation of miners' leaders who rejected quiescence and were willing to use
industrial action for political purposes. The victories over the Heath government
(1972/74), the myth that the NUM 'brought down' Heath, the tripartite *Plan For
Coal* and the courting of the NUM by the Labour governments of Wilson and
Callaghan (1974/79), and Mrs Thatcher's retreat in the face of a threatened coal
strike invested the NUM with a political power far greater than that of IGBE. In
the 1970s the NUM became perceived to be a political, economic and industrial
threat with enormous consequences for public policy. Attempts to manage the NUM
(and the unions in general) by tripartite-corporatist methods collapsed between
1976 and 1979 and was replaced by a political-economic strategy intended to
marginalize and exclude the unions from the policy process. In the 1980s the NUM
(unlike the 1950s and 1960s) was perceived to be an obstacle to restructuring and
had to be removed, hence the 1984–5 strike, the fragmentation of the workforce,
and the institutionalization of the right to manage. The aim of restructuring is the
return of the industry to the private sector: 'the ultimate privatization'. In Britain
the politics of the coal policy network was profoundly affected by the NUM's shift
from being a manager of discontent to a mobilizer of discontent. IGBE has continued
to manage discontent but it cannot deflect restructuring (Winterton and Winterton
1989).

v) The international dimension

Article 4 of the ECSC (European Coal and Steel Community) forbids national
subsidization of the coal industry. In 1976 a ten-year waiver was applied after
which the EC made continued aid dependent on making the industry economic
(Wright 1988, European Commission 1988, 1989). The changes were a major
challenge to established policy, the problem was how swiftly could subsidies be
reduced to satisfy the EC without provoking domestic unrest at a time when the
CDU/CSU was doing badly in the polls? The Saarland and North-Rhine Westphalia
Länder, employers and employees, and the SPD united in attacking the government.
The owners threatened legal action in the European Court, the SPD claimed to
identify a conspiracy between Martin Bangemann (EC Vice President and ex-Federal
Economics Minister) and Helmut Haussman (the Federal Economics Minister) both
of whom were members of the liberal FDP. The mineworkers responded with
industrial action whilst their wives blockaded the BMWI. Hence the Kohl govern-
ment's attempt to renew consensus (International Coal Report, various).

The West German government argued the EC was wrong to downgrade security
of supply as a justification for subsidy. Public rejection of nuclear power after
Chernobyl increased the importance of domestic coal, and the reduction of gas
imports by 20 per cent from the USSR as a result of a pipeline explosion underlined

the dangers of import dependence. Second, the Kohl government argued Brussels proposals limited the flexibility of the ESI, but the EC could not guarantee supplies from elsewhere. In the winter of 1989, for example, France bought electricity from West Germany to compensate for supplies lost due to disruption in the nuclear power stations. Furthermore, German reunification implied increased markets given the former DDR's dependence on environmentally damaging brown coal for electricity generation. This led to the third argument: the need for a strong EC coal industry. Haussmann advocated an EC energy supply security concept under which West German mines would be supported not by domestic consumers but by the Federal Government and the EC. In return the Federal Government offered to reduce the Kohlepfennig from 8.5 per cent to 4.5 per cent by 1995 and appointed a commission under Paul Mikat (a Christian Democrat from North Rhine-Westphalia and an ex-Minister of Education) to establish an agreed policy on the coal industry. In February 1990 an interim compromise with the EC was achieved under which restructuring would continue, the Kohlepfennig would be reduced, and the financial burden would shift from consumers to the Federal Government. A leaked version of the Mikat report proposed transferring subsidies from the consumer, recommended greater competition between mines rather than cartels selling to a protected market, and projected an output of 35m/mt. by 2005.

In the UK the impact of the international dimension was more direct (Rutledge and Wright 1985; Taylor 1990). A key influence on BC's restructuring was the threat of coal imports imposed by the CEGB. Despite a statutory requirement to produce electricity economically, 'the action of successive Governments to protect the indigenous coal industry has substantially prevented CEGB from diversifying coal supplies, particularly by way of the international market'. So disillusioned was the CEGB by political interference it abandoned imports, 'it...sought instead to secure some NCB supplies at imported prices' using the Joint Understanding (HC 196–I, pp. 93–4). CEGB policy was based on a threat,

> The freedom to import at market prices must be retained as an option but our preference will be to use it sparingly provided there is clear evidence of progress towards a competitive and viable UK coal industry. Should [BC] be unable to respond, then CEGB's objectives can be achieved only by greater use of imported coal at the expense of domestic coal (HC 196–II, 90–1; HC 307–I 1988, para. 128).

The credibility of this threat was increased immeasurably by the government's decision to privatize the ESI in February 1988. BC cannot assume any easing in its competitive environment and must reduce production costs to retain its only market: electricity generation. BC's contracts for 1990–93 with *National Power* and *Power Gen* implied a real price reduction of £450m, in addition to the £850m, saved as a result of BC's price cuts instituted in 1986 to retain the power generation market. To absorb this required an 8 per cent increase in productivity on top of the doubling of productivity achieved since 1985. The contracts were accompanied by DEn's agreement to write-off a substantial amount of BC's accumulated debt in the Coal Industry Act (1990) as part of the preparation for privatization after the next General Election.

EXPLAINING NETWORK CHANGE

The shifts within the British and West German coal issue networks has been away from coal producers (including the mining unions) to the ESI, and to proximate participants in the network, notably large industrial consumers of electricity. This was produced by domestic and international pressures mediated by the domestic political process. It is the domestic differences which explain why change has gone further in the UK than in West Germany where the internal distribution of power and resources has not markedly shifted away from the established players. In Britain the network which supervised coal's rundown in the 1950s and 1960s has collapsed, whereas in West Germany the network, institutionalized by the 1968 *Kohle-anpassungsgesetz*, has been maintained.

In explaining network change it is important to distinguish analytically between two factors which are difficult to separate in practice. The first is *integration* within the network. The British and West German coal sub-sectors had features normally associated with policy communities: interaction was frequent, structured and persisted over time, but the internal consensus was weak and easily challenged. Although the structures and processes characteristic of the sub-sector remained largely intact the internal policy consensus shifted from the coal producers to the coal consumers (the ESI). This introduces the second factor: *dominance*. In the coal network producer interests were traditionally pre-eminent, so they can be characterized as producer networks but this is not preordained. Producer dominance indicates the internal distribution of power has been sanctioned (or not challenged) by government. Logically, therefore, government dominates the network, accepting the status quo in West Germany, or promoting extensive change as in the United Kingdom. In the UK government sought to bring the coal industry and the free market into closer proximity with policy centring on transforming BC's commercial environment through altering its operational parameters. Informed by a general commitment to free markets, reducing subsidies, and ESI privatization, government shifted the focus of policy away from the coal producer to the coal consumer; the ESI now determines policy in the coal issue network. This would, of course, change if government policy changed: the Labour Party has a 'use British coal first' policy which, if it were elected to government would produce a significant shift in policy. In West Germany the Kohl government aspires to a similar policy, however, three factors explain why change in the West German network has, so far, not followed the British trajectory.

i) The rejection of industrial policy

Thatcherite industrial policy has been dissected minutely and frequently and the details need not detain us (Gamble 1988; Hannah 1989), but it contrasts sharply with that in the Federal Republic. The Thatcher and Kohl governments have used similar free-market/neo-liberal rhetoric when discussing industrial policy but the latter has been less inclined to allow rhetoric to guide policy in the public sector generally or in the crisis industries.

The privatization debate in West Germany has been muted, not only because companies such as Ruhrkohle (like British Coal) were making huge losses but also

(unlike Britain) because the political space available for a radical alternative was limited. The Kohl government did not pursue 'Thatcherite' policies for three reasons: first, the established policy consensus amongst the CDU/CSU, the SPD, the unions, and the employers remained largely intact, and the Länder dependent on coal enjoyed a powerful political and constitutional position which gave them the resources to mount a spirited defence of their local political economies (Jessop 1988). Second, there was no evidence that deregulation and cutting public subsidies were matters clamouring for access to the political agenda or were pressing problems demanding government action. Third, preservation of the status quo was aided by the incomparably stronger West German economy and its division into a highly competitive, export-oriented manufacturing sector and a problem-ridden domestic sector. Intrinsic economic strength meant the cost of public subsidy in the domestic economy was not perceived by policy makers to be so great a problem requiring drastic action (Dyson 1984; Esser and Fach 1983; Deubner 1984).

ii) Change in the role of the unions

Despite the economic strains of the 1970s and 1980s (or perhaps because of them) West German governments refrained from challenging the organized working class for fear of destabilizing the political economy and losing political support. This was particularly important for Kohl and the CDU which began to win traditional working class votes from an SPD flirting with the social movements associated with post-materialist values. The Kohl government did not develop an anti-union policy, contenting itself with making hostile noises about German workers pricing themselves out of world markets (Koelbe 1988). Part of the answer is the greater strength of the West German economy and the recognition by the unions that their members' prosperity depends on exports remaining competitive (Jacobi 1985, 1986). Also important, and related to this, is the perception by policy makers and industry that the unions have made a positive contribution to economic growth and that they did not represent a political threat. Hence, the social partnership tradition was maintained as functional to the West German political process, whereas Thatcherism's success was perceived to depend in a large part on being *seen* to defeat the unions and impose the right to manage (MacInnes 1987; Taylor 1988; Richardson and Wood 1989).

Neither militant industrial action nor cooperation, however, blocked the coal industry's decline. In West Germany the industrial representation system (most developed in the coal industry) has, at best, delayed the inevitable. In both countries employers (backed by the state) have provided generous redundancy schemes based on length of service, and promoted job opportunities in coal areas to avoid unrest. In West Germany IGBE has cooperated in the process, as did the NUM until it resisted and was crushed. Since the 1984–5 strike the NUM has been by-passed and reduced to a powerless onlooker. Union involvement in a policy network appears to be tolerated only so long as the union does not actively challenge government-management strategy using methods that take conflict outside the network and threaten the wider system. Union participation is, therefore, essentially a mechanism for promoting quiescence and to legitimize government-management strategy.

iii) The culture and style of the policy process

A decade ago it was easy to characterize the British policy process as composed of policy communities of departments and groups operating by co-option in a consensual style (Richardson and Jordan 1979, pp. 73–4). Whilst this style still exists in parts, the policy process has become increasingly heterogeneous with government (and its free-market ideology) assuming far greater importance. In West Germany a governing and policy style stressing 'The Search for a Rationalist Consensus' has remained intact even in problem areas, as demonstrated by the importance attached to the Mikat Commission (Dyson 1982; Webber 1986).

The Federal system has proved capable of managing a variety of restructuring problems by a process in which Federal Government makes law and the Länder implements it, thereby combining national and local political-economic interests (Hesse 1987). Britain's unitary/centralized policy process meant that localized restructuring problems impacted directly on national politics. The same problems existed in West Germany and threatened Federal-Länder relationships, but also encouraged cooperation as structural change was perceived to be inevitable and in the national interest, but the economic and social costs of restructuring were also perceived as a national problem requiring national resources, albeit implemented by the Länder. Serious distributional conflicts based on differing Länder socio-economic/political-economic interests developed but were contained whereas in Britain the result was the year-long coal strike. In Britain the shift within the coal issue network is completed; in West Germany the coal issue network is largely intact and the distribution of power and resources relatively unchanged. Further change depends on the EC and the implementation of the Mikat report.

What general conclusions can be drawn concerning policy networks? First, in Britain and West Germany coal policy was made by a limited number of participants within a broad issue network with policy outcomes (in all energy sectors) dependent on the extent of government activism within the network. Second, network access is based on economic power but, as the NUM found, this can be challenged and removed, and the coal producers find themselves (because of their market weakness) to be the objects of policy. Government is, therefore, always the dominant (or potentially dominant) actor. Apart from government, the key group are now the consumers: the electricity generators. Finally, this study confirms that unions play a subordinate and legitimizing role in policy making. However, a number of other factors must be noted.

First, policy in the coal industry was profoundly affected by the respective strength of two economies. Put simply, in Britain the coal issue network was perceived to represent a burden to be shed whereas in West Germany public subsidies were a policy problem but removal would entail considerable political costs. It was 'cheaper' to maintain the issue network to allow time for the development of a consensual solution, whereas in Britain the government believed the £6bn. or so spent on defeating the miners an equally sound investment. Second, the network literature tends to downplay the importance of ideology. In the UK the government's hostility to the public sector affected profoundly both policy and the operation of the issue network, whereas in West Germany continued adherence

to the 'traditional' policy style preserved the network relatively intact internally and over time. Finally, the polyarchical nature of West Germany's political process and institutions sustained competing constituencies within the issue network whom the Federal Government was unwilling or unable to coerce. Britain's unitary/ centralized state and policy process made it easier for the Thatcher government to adopt and pursue an 'iron bar' approach (this policy style was advanced by Gerald Wistow at the Essex Policy Network Conference (July 1989) with specific reference to the national health service) to the coal industry, forcing through changes in both policy and process. Whether this produced a better policy outcome is, of course, a different question.

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A TALE OF TWO CITIES: A CRITICAL EVALUATION OF THE GEOGRAPHICAL PROVISION OF HEALTH CARE BEFORE THE NHS

MARTIN POWELL

This article critically examines the state of knowledge with respect to the geographical provision of health care before the national health service (NHS). Most accounts claim that health care was geographically unequal and/or inequitable. On closer examination, however, the claims of these studies appear problematic. This is due to problems of the sources of data, interpretation of the data, and one writer's assertion becoming a subsequent writer's 'fact'. The charges of inequality and inequity are critically examined. Then, for the hospital services, the situation is explored using data from a well respected but under-utilized national wartime survey. Finally, an attempt is made to compare the degree of geographical inequality before the NHS with that of today. It is concluded that the degree of inequality before the NHS is not as great as some conventional wisdom would suggest. Therefore, if the charges against the pre-NHS system are to stand, more evidence will be needed.

INTRODUCTION

Recent government plans to reform the NHS are inevitably controversial. However, it has been claimed that these initiatives are not new: they have been tried before and found wanting. The principles of 'competition, private enterprise and more emphasis on the voluntary ethic' (*Guardian* 1988) are being re-introduced. In this way, it is claimed that health care in the future will replicate that before the NHS. This is summed up in phrases such as 'back to the thirties?' (Webster 1984), 'back to the future?' (Mohan 1988) and 'the ghost of health services past?' (Mohan 1986).

There are two main problems to these claims. First, pre-war health facilities were not the result of a 'free-market' (Abel-Smith 1964, pp. 407–8). Voluntary hospitals stood where their founders had chosen to place them. *Ceteris paribus*, financial resources deriving from philanthropy were likely to be greater in the richer parts of the country, but chance factors also played their part. Moreover, by the 1930s the income of voluntary hospitals had changed radically (Abel-Smith 1964; Pinker 1966). Specialized medical staff or 'consultants' generally had honorary status in the major voluntary hospitals, and so financed this side of their work from private

Martin Powell is Senior Lecturer in Social Policy at the School of Health and Human Sciences, Hatfield Polytechnic.

practice. Thus, they were restricted to large urban centres with sufficient wealthy individuals to subsidize their unpaid portion of time (Abel-Smith 1964; Eckstein 1958).

The voluntary hospital sector was usually the minor partner in hospital provision, accounting for some one quarter to one-third of all hospital beds (Pinker 1966, p. 50). The relative importance of the factors influencing the great variety of municipal provision (chronic, acute, infectious disease, tuberculosis and maternity beds) was unclear (Wilson 1938), and it was not necessarily the case that the richer areas had the best service. Only a minority, then, of hospital beds were influenced by 'the voluntary ethic', with the majority depending on municipal effort.

The pattern for general practitioners was more complex. The majority of them relied on a mixture of direct payment for services and capitation income from the National Health Insurance scheme (Digby and Bosanquet 1988). So, GPs did not receive all their income from fee-for-service transactions and were not necessarily restricted to the areas of greater wealth.

Second, although the conventional wisdom is that one of the inadequacies of the pre- NHS system was its maldistribution, the evidence for this assertion is rarely subjected to critical analysis. Indeed, it has been argued that, 'apart...from a few scrappy comments, heavily loaded with political overtones, of the apparent surplus of doctors in such places as Kensington or Bournemouth, the critics have not gone to much trouble to examine the facts' (Jewkes and Jewkes 1962, p. 13). The problem appears to be that very few 'facts' were, and still are, available. This contrasts with contemporary and more recent work connected with health status in the 1930s which does rely on primary sources. Contemporary research such as Titmuss (1938, 1943) shows that there were large social and geographical variations in adult and infant mortality, with the depressed areas suffering the most 'excess mortality'. More recently, this theme has been taken up and extended by a number of writers including Harris (1989), Mitchell (1985) and Webster (1985). All these studies demonstrate that national averages hide great regional diversity and reveal, in the words of Webster (1982, p. 124) 'the fallacies inherent in averages'.

However, this concern to highlight the social and economic factors influencing mortality and morbidity has meant (as in the debate following the Black report on inequalities in health (Townsend, Davidson and Whitehead 1988)) that the health services have been comparatively neglected. Certainly, details of the distribution of services at a sub-national level appear to be rather lacking beyond generalized and rudimentary descriptions. For example, in a recent text on the inter-war period, Laybourn devotes some 12 pages, with 7 tables and 42 references, to health, while the hospital services receive less than a page with only one reference. Even the regional studies of Rivett (1986) and Pickstone (1985) present few details of service distribution between the regional and the individual hospital level. Thus, the comment of Titmuss (1950, p. 64) that very little was known about the hospital 'system' in 1939 is still substantially true (see also Eckstein 1958, pp. 87–8). Generally, what was known was largely taken from the wartime hospital surveys (Titmuss 1950, p. 66 seq.; Eckstein 1958, passim) and it is these surveys which are used extensively in the remainder of this article.

This article attempts a critical examination of studies which make claims about either the spatial inequality and/or inequity of pre-NHS medical services. In short, the witnesses for the prosecution are cross-examined. Then, the claims are analysed in combination with empirical data for hospital services produced by an authoritative national survey of hospital provision just before the introduction of the NHS (Nuffield/Ministry of Health Hospital Surveys 1945–6). Indeed, the summary volume is termed the 'Domesday Book of Hospital Services' (Nuffield Provincial Hospitals Trust 1946). The surveys have been used extensively by writers such as Titmuss (1950) and Eckstein (1958). Godber (1988, p. 38) writes that the surveys provided the basis for the early work of the Regional Hospital Boards appointed in 1947, while Rivett (1986, p. 225) states that the London Survey remained an essential tool for hospital planners in that area until the 1960s. However, the greatest praise comes from Eckstein (1958, pp. 34–5, fn.): the surveys 'constitute perhaps the most remarkable factual and critical report on medical facilities ever published in any country. Not a bed escaped the researchers' attention. The surveys are an invaluable aid to research'.

The aim of this study, then, is (to continue the legal analogy) to attempt to provide 'reasonable doubt' about the asserted inequality and inequity of the pre-NHS hospital system, and to ask for fresh evidence to be presented at an 'appeal'. Just as the work of Webster (1982, 1984, 1985), questioning the 'optimistic' view of health trends in the 1930s, stimulated further research and debate on the topic, it is hoped that this questioning of the 'pessimistic' view of hospital services before the NHS will do likewise.

GEOGRAPHICAL INEQUALITY

The charges of geographical inequality can be separated into a number of convenient themes: first, an examination of the PEP (Political and Economic Planning) evidence which deals mainly with GPs. Then, the focus turns to the hospital sector and to the themes of rural/urban differentials, the north/south divide and the distribution of specialists respectively.

The PEP Study

Some writers have quoted a 1944 PEP Broadsheet to support the claim of an unequal spatial distribution of medical services (Titmuss 1950; Eckstein 1958). The original source presents a map illustrating the 'checkered pre-war distribution of GPs in the different counties of England and Wales, ranging from one doctor for 1,500 to one for 3,500 people' (PEP 1944, p. 6). However, the map does not appear to conform entirely to county or county borough boundaries (for example, in Devon, Dorset and Merthyr Tydfil). Moreover, there appear to be few areas in the extreme categories of 'under 1,500' and 'over 3,500', with most of the country falling in the range between 1,500 and 3,000 population per doctor.

The PEP study then goes on to quote a speech from the Secretary of State for Scotland, Tom Johnston, who 'gave more detailed figures, which show that even this map does not convey the full extent of the problem' (PEP 1944, p. 6–7). Johnston gave the figures of one GP for every 1,178 persons in Hastings 'before

the war', whereas in South Shields there was one for every 4,105. In Bridge of Allan, there was one GP for every 980 persons and in Greenock the figure was 3,535 (*Hansard*, House of Commons, Mar. 17, 1944, cols. 620–621). The PEP study claims that 'he could have adduced even more extreme cases'. However, it has already been argued that there are few areas in the extreme categories of the PEP map (under 1,500 and over 3,500) and so any more extreme cases than those quoted by Johnston would be extremely isolated. If they were not, the class limits on the PEP map would seem inappropriate. Moreover, if Johnston had more extreme cases, he surely would have used them in order to make his point of maldistribution of medical services more forcefully. Johnson appears to have been giving the range for both Scotland and England and Wales: 'Thus, in England and Wales, at the outbreak of war, the number of people to each GP varied from under 1,200 to over 4,000' (*Hansard*, House of Commons, Mar. 17, 1944). The time period of the figures now appears to have changed from 'pre-war' to 'at the outbreak of war'. More importantly, there is no indication either from Johnston or PEP as to the source of the data.

The PEP study continues: 'Thus, the number of residents per GP was twice as great in Kensington as in Hampstead; thrice as great in Harrow; four times as great in Bradford; five times in Wakefield; six times in West Bromwich and seven times in South Shields'. This 'evidence' turns up in numerous secondary accounts, sometimes quoted in full and sometimes as 'the tale of two cities': the extremes of the range. However, it seems that the wrong 'two cities' may have been chosen: the seven-fold variation appears to be between Hampstead and South Shields and not between Kensington and South Shields as is usually stated (as in Titmuss 1950, p. 71; Eckstein, 1958, p. 61; see Jewkes and Jewkes 1962, p. 7). Both these writers give the PEP study as their source. However, Hollingsworth (1986, p. 43) gives the same story without any reference, adding that this sevenfold variation 'was common across a great deal of the country'.

The plot thickens when it is known that Titmuss, who was the first writer to quote this study, may have been associated with writing it. PEP, for many years, did not disclose authorship of their studies, but Titmuss was one of the twelve members of the PEP Health Group in 1944 (PEP Archives, LSE, 13/26). If this speculation is valid, it seems unlikely that Titmuss would misquote himself, and the seven-fold variation between Kensington and South Shields would seem to be the correct interpretation. Nevertheless, the fact that this interpretation has been perpetuated from such an ambiguous quotation from a study which does not give the source of its data should be noted. Moreover, the precise meaning of these doctor/population ratios is unclear. Similar figures are quoted by Aneurin Bevan in his speech during the second reading of the NHS Bill (*Hansard*, House of Commons, 30 Apr. 1946, col. 53). In answer to a question, he makes it clear that he is referring to the population and not the number of persons on a doctor's panel. This suggests that the data do not come from official National Health Insurance records. Later in the debate, Sir H. Morris-Jones (1 May, col. 203) suggests that the figures quoted by Bevan include 'old and retired doctors' and that 'the figures are quite fallacious'. Finally, former Minister of Health Henry Willink (1 May,

cols. 237–8) states that he is not impressed by examples of so-called 'over-doctored' places because of the inclusion of retired doctors and the fact that one of the examples used, Bromley, is a place 'where doctors live but practise in various parts of London'. Thus, if the data relate to doctors' residences rather than their surgeries, the figures reveal little more than doctors' residential preferences (see Jewkes and Jewkes 1962, p. 13). It is unclear how many doctors had their surgeries as part of their homes, but lock-up surgeries certainly existed in parts of London (Digby and Bosanquet 1988, p. 81). Willink continues that he is more impressed by (unreferenced) BMA figures: 'surely it is more significant that Barrow-in-Furness, Darlington and Macclesfield had more doctors before the war than such salubrious places as Richmond and Winchester?' He refers to Johnston's speech (above) which suggested that Bridge of Allan was overdoctored.

> It was thought that this was true because it was said so many times, but it was found, when they investigated it, that there was a large number of elderly doctors who had gone there for a little part-time work and to spend the last years of their lives there.

The problematic nature of the data and the continual references to 'before the war' leads to the suspicion that the figures might have been extracted from the 1931 Census (Jewkes and Jewkes 1962, p. 13) and circumstances may have changed during the 1930s. It seems, then, that great oaks of criticism have risen from the tiny acorns of selective quotation of unreferenced and possibly problematic data, and it is possible (perhaps with equally selective quotation) to make a contrary case implying a more equal distribution of GPs.

This is not the only situation where statistics have been presented without indicating their source. Leff (1950, p. 210) quotes unreferenced data which appear to be taken from the same source as that used by Johnston and PEP (but with data for an extra town), and then claims that 'there are twice as many doctors per head in London as in South Wales and four times as many in Bournemouth as in the industrial Midlands'. This assertion has been repeated unreferenced, by Lindsey (1962) and by Walters (1980) who quotes Lindsey and Leff.

There are a number of problems in addition to the lack of sources of data. It was generally accepted that London was a special case with respect to medical facilities. It contained the cream of the British voluntary hospital sector: the major teaching hospitals. It was recognized to be one of the world's leading medical centres and performed a national role for some diseases and specialties. London also had many municipal beds due to the large, wealthy and progressive London County Council (Abel-Smith 1964; Eckstein 1958). Similarly, it is a little misleading to compare a wealthy county borough with many medical facilities such as Bournemouth with a whole region.

Urban/rural differentials

It has been claimed that in many respects the rural areas were poorly served compared with the urban areas (Thane 1982, p. 192; Pater 1981, p. 20; Webster 1988, p. 13). This is perfectly true, but unexceptionable. As today, hospitals tended

to be located in urban rather than rural areas. The urban county boroughs had 8.00 beds per thousand population compared to 4.73 for the rural county councils. For acute beds the corresponding figures are 4.56 and 1.88 (Powell 1991). However, as today, many rural-dwellers travelled to the town for in-patient and out-patient treatment. This was particularly so for towns surrounded by large rural hinterlands. For example, in 1938, some 4,300 Norfolk residents were in-patients in Norwich voluntary hospitals, while Norwich residents accounted for only 44 per cent of in-patients; Lincoln residents made up only 43 per cent of Lincoln's voluntary hospital in-patients, while the figure for Chester residents was 22 per cent. More Lancashire residents were treated in the voluntary hospitals of the Lancashire county boroughs than in the county council area itself. Movement across boundaries for municipal hospitals was much more limited, but still not uncommon (calculated from Nuffield/Ministry of Health Hospital Surveys 1945–6 Appendices; see also Eckstein 1958, pp. 40, 58, 70).

Moreover, not all county boroughs had high levels of provision and county councils low provision. In three of the nine English survey regions county boroughs as opposed to county councils had the fewest beds per capita (Powell 1991). Even excluding highly urbanized Middlesex, a number of county councils as diverse as Surrey, Herefordshire, Lancashire and Lincoln (Lindsey) were making efforts to develop municipal health services (MOH/NPHT 1945–6).

This is not to say that sometimes travel difficulties for rural dwellers were not formidable (PRO 1943) and sometimes, 'an arbitrary line drawn on a map [administrative boundary] often determines whether a patient shall have access to a well-staffed, relatively modern hospital...or be sent some distance away to an unsatisfactory institution...' (Parsons *et al.* 1945, p. 7). Moreover, in South Wales, the rate of out-patient attendances was some five to six times higher in the three largest towns than in the surrounding areas (Trevor Jones *et al.* 1945, p. 36). Nevertheless, differences in the number of beds per capita between town and country hide the fact that many rural patients could, and did, travel to the urban areas for treatment.

The north/south divide

It is sometimes claimed that the south of the country was better served than the north. For example, Pater (1981, p. 19), with reference to a report by the Hospital Almoners' Association (PRO 1943) writes 'the south of the country was seen as better off than the north, and town than country, but almost everywhere conditions were bad'. However, the report does not claim to reflect a representative sample because hospital almoners were not equally distributed throughout the country and the report is largely based on their subjective impressions. Moreover, the overall tenor of the report does not unambiguously reflect diversity: there is a

> remarkable uniformity all over the country in the services supplied. The south has, generally speaking, been more advanced than the north, and all over the country town dwellers have had a much more complete service than country inhabitants, but otherwise facilities available in one place have generally been available everywhere and those lacking generally lacking (PRO 1943, p. 11).

While the MOH/NPHT surveys show that the south did tend to have more beds than the north, the North-West region was relatively well provided with 6.7 beds per thousand population, 3.7 acute beds per thousand and 71 medical staff per million, making it second only to the London region for these categories. Conversely, the Berkshire, Buckinghamshire and Oxfordshire region had the lowest provision of total beds (5.4 per thousand) and the Eastern region was worst off in terms of acute beds (2.2 per thousand) and medical staff (42 per million). Moreover, each region had a wide variation of provision, and at the local authority level some northern areas compared favourably with many southern areas. For example, some northern local authorities such as Liverpool and Halifax had more beds per capita than the authorities with most provision in both the Eastern and the Berkshire, Buckinghamshire and Oxfordshire regions (Powell 1991).

The distribution of specialists
Finally, some writers claim that many areas were short of specialist medical staff. However, there was at the time no readily accepted definition of a consultant (Herbert 1939, p. 76). Titmuss (1950, pp. 70–1) claims that 'a few areas of the country and a small section of the people were abundantly served with medical and nursing skills'. However, as these few areas would tend to be the large metropolitan areas with large populations and serving populations beyond their boundaries (for example, London, Manchester, Liverpool, Birmingham) the resulting population covered by such services would perhaps not be so small. Titmuss (1950, p. 71) on the basis of the Nuffield/Ministry of Health Hospital Surveys states, 'Before the war *some* counties were without a single gynaecologist; the Eastern counties had no thoracic surgeons, dermatologists and paediatricians and only two hospitals with psychiatrists on their staff' (my emphasis). However, Hollingworth (1986, p. 200) claims that, '*many* counties had no gynaecologists, thoracic surgeons, dermatologists, paediatricians, or psychiatrists (Titmuss 1950)' (my emphasis). Some of these claims are hardly surprising. This may be illustrated by an examination of the reports of the ten teams of hospital surveyors associated with the Nuffield/Ministry of Health Hospital Surveys. For example, the North-West surveyors Rock Carling and McIntosh (1945 p. 14) recognized that some specialties were more widely distributed than others: general surgeons, obstetricians and ear, nose and throat specialists were 'fairly common', while consulting physicians, paediatricians and the 'more restricted specialties' such as dermatology, cardiology, genito-urinary surgery and neuro-surgery were found only in the main centres. According to the North-East surveyors, thoracic surgery was developed at Newcastle explicitly as a regional specialty (Lett and Quine 1946, p. 9) and the South Wales surveyors suggested that thoracic surgery should be developed in one centre to serve the region (Trevor Jones *et al.* 1945, p. 78). It was recognized by many of the surveying teams that access to specialist care was largely a question of access to a major centre of population: 'the presence or absence of specialists in any particular place depends partly on its remoteness from or proximity to the main centres of Manchester and Liverpool. If it is near Manchester or Liverpool, it can get all the service that it needs from these towns *without*

difficulty' (Rock Carling and McIntosh 1945, p. 14; my emphasis). In other words, it is clear that in some areas access to well-served neighbouring authorities mattered more than the amount of provision in the area itself.

It can be seen, then, that Titmuss is loading his argument (see also Fox 1986, pp. 35–6). He refers to the rural county councils as opposed to the urban county boroughs and examines the rarer specialties such as dermatology and thoracic surgery. There were gynaecologists and dermatologists in the county boroughs of the Eastern region, and the surveyors suggested that one dermatologist and one paediatrician should serve the whole Eastern region (Savage *et al.* 1945). So, to some extent, Titmuss is setting up a 'straw man': thoracic surgeons and dermatologists would not normally be expected to be present in the rural county councils. A modern parallel might be a criticism that there are no regional specialisms such as neuro-surgery in today's District General Hospitals.

GEOGRAPHICAL INEQUITY

Some writers have claimed not only was the pre-NHS distribution of medical facilities unequal, but it was also inequitable. It is clear that a service may be distributed equally but inequitably or equitably but unequally (Le Grand 1982). In this case, it is claimed that services were both unequal and inequitable. In other words, high need areas tended to have low service provision and vice versa: this situation may be termed 'territorial injustice' or the 'inverse care law' (Hart 1971) as opposed to the situation where high need areas have high levels of provision, which has been termed 'territorial justice' (Davies 1968). There are great difficulties in attempting to provide a service in direct proportion to the needs of an area: a good example of this is the controversy surrounding the reallocation of health care resources after the Resource Allocation Working Party (Mays and Bevan 1987). Most of the surveyors recognized this problem: the difficulties of estimating the number of hospital beds in an area is 'well known...We do not think it is possible at present to arrive at a figure of so many beds per 1,000 of the population to be adopted as a standard' (Rock Carling and McIntosh 1945, p. 13) and 'exact assessment is impossible...there are no generally accepted ratios of beds to population' (Parsons *et al.* 1945, p. 15).

It is noticeable that where the surveyors produced an estimate of the number of beds needed, this figure was constant throughout their region, implying that they were unwilling or unable to assign varying levels of provision to different levels of need. However, the relationship between need and provision must be quantified in order to decide whether provision is equitable or inequitable. Quantitative indices of need were difficult to find. Even where indices could be produced, it was difficult to decide upon appropriate levels of provision.

The only case discussed by the surveyors of a level of provision which varied with need was tuberculosis beds. A 'common formula' from a standard text-book on public health in its eighth edition laid down one bed per death from tuberculosis. However, the surveyors expressed little confidence in such a procedure and the formula was not used in order to define the number of beds needed in each area (Lett and Quine 1946, p. 25).

In spite of the surveyors' unwillingness to specify levels of provision appropriate to levels of need, assertions of inequity are commonplace. After mentioning the seven-fold variation in GPs per capita (above), the PEP study claimed that 'the disparity in distribution is even more serious than it appears from these figures, because "under-doctored" districts are usually also poor districts with high rates of sickness and mortality and in special need of a good medical service.' (PEP 1944, p. 7). The reader is expected to associate (quite reasonably) high need with under-doctored South Shields and low need with over-doctored Kensington (or Hampstead). Having been given the two extremes of the relationship, the reader is then expected to link them with a straight line and thus assume a negative relationship between need and provision, and conveniently forget about the lack of information on the vast majority of areas in the country. Aneurin Bevan, with no apparent supporting evidence, claimed that the best hospital facilities were available where they were least needed (*Hansard*, House of Commons, 30 Apr. 1946, col. 44). Similar assertions include the famous and often quoted phrase of Abel-Smith (1964, p. 405): 'the pattern of [voluntary] provision depended on the donations of the living and the legacies of the dead, rather than on any ascertained need for hospital services'. In other words, philanthropy led to greater resources in the richer areas.

Similarly, for the municipal sector, Whitehead (1988, p. 21) claims that since revenue was dependent on local rates, prosperous areas could and did provide much more extensive services than the bulk of the country. Finally, Webster (1988, p. 14) has asserted 'health standards precisely mirrored diversities within the health services'. In other words, the correlation between health status and health care was perfectly positive. These assertions of a negative correlation between need and provision all conform to what Hart (1971) termed the 'inverse care law': 'the availability of good medical care varies inversely with the need of the population served' (see Powell 1990).

While none of the above writers presents data to support his or her argument, they are fairly well supported by circumstantial evidence. *Ceteris paribus*, wealthy areas (with low need) will have more money available to donate to the voluntary hospitals. However, this pattern was perhaps becoming more complex and 'voluntary gifts' and 'investments' (or endowments) became a less significant proportion of total income (Pinker 1966). The increasingly significant portion of income, namely patients' payments and contributory insurance revenue, came from those on lower incomes, and it is not obvious that hospitals from traditionally wealthy areas still retained their financial advantage under the newer financial system. Similarly, it is reasonable to argue that there was greater availability of specialist services in the more wealthy areas. In order to donate their services without payment to the voluntary hospitals 'consultants' needed a ready supply of private patients to enable them to subsidize this unpaid time. Thus, specialists tended to be confined to the richer areas and/or large urban areas, with a disproportionately high number in London (Titmuss 1950, p. 71; Leff 1950, p. 228; Eckstein 1958, pp. 59–61; MOH/NPHT Hospital Surveys, 1945–6, vols. 1–10).

However, the pattern of municipal provision was probably more complicated.

The quantity and quality of local authority beds depended on factors such as the size of the local authority area, the financial capacity of the area, and the attitudes of councillors and officers (Abel-Smith 1964, p. 382; Walters 1980, p. 55; Wilson 1938).

In some cases, these factors worked in the same direction: for example, the London County Council was large, rich, powerful and progressive, and it was proud of its municipal empire of beds which out-numbered London's voluntary beds by a factor of more than five (Abel-Smith 1964, p. 372). In general, the county boroughs made more progress in transforming 'public assistance institutions' into 'public health hospitals' than the county councils, after the enabling legislation of the 1929 Local Government Act (Abel-Smith 1964, pp. 368–71), but it is unclear whether this was primarily due to 'progressive' ideology or greater financial capacity, as shown by their higher rateable value per capita (Wilson 1938). In some cases, authorities levied high rates to finance expenditure: for example, Hicks and Hicks (1943, p. 14) show that in 1938 a rate poundage of over 20s in Merthyr produced receipts (rates plus block grant) per capita of around £6 10s., while the Eastbourne figure of over £7 was produced by a poundage of under 9s. Similarly, Webster (1985) has shown that some poor local authorities were comparatively generous in the provision of unemployment payments and maternity and child welfare services. He suggests that political factors may be part of the explanation for variations in provision within the depressed areas. Thus, the relative importance of the factors determining expenditure on municipal medicine before the NHS remain unclear (Lee 1988; Wilson 1938) although it seems clear that financial capacity was a constraining and not a determining factor in the provision of local authority services.

Thus, while it seems reasonable to assume that richer areas tended to have more medical facilities, this remains largely informed speculation. Indeed, Eckstein (1958, p. 9) has argued that 'the social distribution of the British medical services...was biased very much in favour of the lower classes.. Mayfair, in certain respects, did not come off as well as Limehouse.' He continues that the 'lower classes' enjoyed not only financial but also geographic advantages in access to hospitals and specialist services as the vast majority of the larger hospitals were located in metropolitan areas where the population was preponderantly poor (p. 38). In addition to abnormal metropolitan concentration *per se*, the better hospitals tended to be located in the poor parts of the cities (p. 39). The urban poor, therefore, enjoyed almost conceivable advantage over the rest of the population in access to good hospitals and specialists (p. 40).

It is very difficult to evaluate empirically the geographical association between need and provision of health care before the NHS because of the difficulties of assembling an appropriate dataset. While the number of studies with adequate provision data is limited, studies with data on need are almost entirely lacking. The only study which attempts to examine the degree of 'territorial justice' for health care before the NHS is Powell (1992). This analyses the situation in 1938, the last full year of the pre-NHS system before it gave way to the Emergency Hospital System of wartime. The need indices include the unemployment rate and

overcrowding from the 1931 Census, in addition to the crude death rate, adjusted death rate and the infant mortality rate from the 1938 Registrar General's Report. The rateable value per head, a proxy measure for local wealth, was extracted from the local taxation returns, while two composite need indices are the need element of the block grant formula for distributing central resources to local authorities and, for county boroughs only, an index of 'social conditions' (Buckatzsch 1946).

The provision indices (calculated from MOH/NPHT 1945–6) are per capita measures of beds differentiated by type (for example, acute) and sector (voluntary/municipal), and staff. Voluntary and municipal beds are each divided into the categories of acute, maternity and tuberculosis which add to the fourth category of total beds for that sector. When voluntary and municipal beds are aggregated to produce total beds, two extra categories are introduced, namely chronic and infectious disease beds. These were almost totally concentrated in the municipal sector, but are counted as 'total' rather than 'municipal' in table 1 to enable easier comparison between the correlations for voluntary and municipal beds and the need indices. The staffing figures are composed of the categories of medical, nursing and qualified technical staff. Each provision variable is then correlated with each of the eight need indices. Thus, for example, there are 32 correlations for both voluntary and municipal beds and 48 for all beds. The·table indicates how many correlations suggest equitable or inequitable distributions of provision, where an equitable distribution is defined as one in which high need areas tend to have high levels of provision. Then, the table shows the number of statistically significant correlations.

TABLE 1   The degree of geographical equity for the county boroughs, 1938

	Number of correlations	Number suggesting equity			Number suggesting inequity		
		Total	sig. 5%	sig. 1%	Total	sig. 5%	sig. 1%
Voluntary beds	32	3	—	—	29	7	17
Municipal beds	32	31	5	12	1	—	—
Total beds	48	26	1	—	22	—	—
Voluntary staff	24	1	—	—	23	2	18
Municipal staff	24	22	7	2	2	—	—
Total staff	24	1	—	—	23	4	5

For all local authority areas, just over half of all the correlations between need and provision suggest 'territorial justice'. However, it is probably more reasonable to examine the county boroughs alone (see table 1) as the positive correlations for all areas may show little more than that the urban county boroughs tended to have higher levels of both need and provision as compared to the rural county councils. When this is done, it is found that while voluntary beds and staff tend to be negatively correlated with need, municipal beds and staff tend to be positively correlated with need. When both sectors are aggregated to make the total number· of beds, the opposing directions of the correlations cancel each other out and the

correlations between need and all beds are statistically insignificant. However, when staff are aggregated the strength of the correlations for voluntary staff outweigh those for municipal staff, leaving a situation of more staff in the less needy areas. This preliminary analysis, then, finds that while voluntary provision tended to favour the less needy areas ('the inverse care law', Hart 1971), municipal provision tended to favour the needy areas ('territorial justice', Davies 1968) and, indeed, managed to compensate for the inequitable nature of voluntary provision for beds but not for staff.

GEOGRAPHICAL INEQUALITIES: THEN AND NOW

On the fortieth anniversary of the NHS an editorial in the *Guardian* acknowledged that 'there are still glaring inequalities in the distribution of health resources', but 'the gross disparities in the distribution of [pre-war] medical facilities would make our modern inequalities seem virtual perfection' (*Guardian* 1988). However, revenue expenditure per capita at district health authority level for 1987–8 varied from £79 in Chorley and South Ribble and £118 in East Hertfordshire to £1,076 in Bloomsbury (data from *Hansard*, House of Commons, Written Answers, 22 Mar. 1989, col. 620–1). It is a little misleading to focus on single London DHAs as London was usually treated as a single unit in the pre-war situation. Outside London, the highest figures are Preston with £582, Central Birmingham with £521 and Newcastle with £514. Thus, the variation between DHAs is of an order of 7.4 outside London and 13.6 including London. (These figures do not take into account teaching hospitals, regional specialties and cross-boundary flows, but neither do the pre-war figures.) The coefficient of variation for per capita expenditure is 49 per cent for all authorities and 36 per cent for authorities outside London. For the pre-NHS authorities the maximum-minimum ratio for per capita bed provision was 6.6, while the coefficient was 37 per cent (calculated from data in MOH/NPHT 1945–6). The regional variation in expenditure is a factor of 1.5 compared with the pre-war variation in regional beds of 1.6. Of course, the comparisons are rather crude, but it would be difficult to claim that the modern distribution seems 'virtual perfection' as compared with the pre-war distribution.

CONCLUSION

This article is not intended to be a defence of the health care system before the NHS (compare Jewkes and Jewkes 1962; Green 1985): a brief glance through the Nuffield/Ministry of Health Hospital Surveys (1945–6, vols. 1–10) and the summary volume termed the 'Domesday Book of the Hospital Services' (Nuffield Provincial Hospitals Trust 1946) would reveal the many inadequacies of the 'system': inadequate accommodation, shortage of medical staff, lack of co-ordination and the neglect of the chronic sick.

However, much of the 'evidence' produced by the prosecution in support of the charge of great inequality and inequity is less than convincing. It appears to consist of a mass of comparisons without the sources of the data, faulty arguments and selective and linear quotations (writer 1 quoted by writer 2 quoted by writer 3,

etc) with little reference back to primary sources. Moreover, the evidence of the Hospital Surveys reveals that the charges of geographical inequality: urban/rural and north/south differentials and the problem of the availability of specialists may be overstated. It appears that voluntary beds and staff were negatively correlated with need, but municipal beds and staff were positively correlated with need. For the case of total bed provision these opposing forces reduced the correlations to statistical insignificance, but the numbers of municipal staff were insufficient to eradicate the negative correlations due to the voluntary sector.

Jewkes and Jewkes (1962, p. IX) claimed that they had deliberately adopted an attitude of more than ordinary caution in accepting commonplace statements and assumptions. They continue that it seems easier to fall into gross error, to perpetrate elementary howlers, on the subject of medicine and health than on any other. Such comments would not seem totally out of place with respect to some later studies. Assertions of inequality and inequity need to be examined critically, and new evidence may have to be produced if the charge is to stand. This is not to say that the pre-war distribution of facilities was equal and equitable; indeed, there are good reasons for thinking it was not. However, with much of the evidence being not entirely convincing, perhaps the pre-war system should remain innocent until proven guilty?

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PUBLIC MANAGEMENT _____

CHANGING NOTIONS OF PUBLIC ACCOUNTABILITY

WILLIAM K. REID

> I have never thought it easy to be just and find it daily even harder than I thought
> (R. L. Stevenson, *Travels with a Donkey in the Cévennes*).

STATUTES AND SUBORDINATE LEGISLATION

Lord Renton, who was Chairman of the Committee on Preparation of Legislation, has noted that, since the War, Acts of Parliament have become longer and more detailed not only because of attempts to cover every conceivable contingency but also because most legislation involves numerous amendments of previous legislation (Renton 1991). He went on to comment on the amount of legislation reaching the statute book every year. In 1913, there were 38 new statutes occupying only 301 pages. In 1956, there were 59 new statutes occupying 1,016 pages. In 1988, 55 statutes were passed and in 1989, 46 statutes in 2,489 large pages. Those statutes cover primary legislation. On 6 February 1991, the Lord President of the Council, John MacGregor, said that in the parliamentary session 1989–90 a total of 164 Instruments requiring affirmative approval, 916 Instruments subject to annulment, 49 Statutory Rules of Northern Ireland – subject to negative procedure – and eight Special Procedure Orders were considered by the Joint or Select Committee on Statutory Instruments. In a further Parliamentary Answer, the Lord President said approximately 7,000 Orders in Council had been made in the last decade, of which an estimated 20 per cent had been Prerogative Orders dealing with such matters as the prorogation and dissolution of Parliament, the grant and amendment of royal charters, the government of dependent territories and the approval of reports of the judicial committee of the Privy Council.

These figures put in context the activities of government in establishing policies, rules and regulations. The amount of public accountability has grown. The amount

William K. Reid is Parliamentary Commissioner for Administration. This article is an edited version of a talk given to the Glasgow and West of Scotland Group of the RIPA in May 1991.

of public knowledge of the law has increased but hardly proportionately if we study the increase in the use of citizens' advice bureaux, health councils, consumer councils and welfare rights organizations.

Lord Renton propounded the general thesis that, in the Public Bill in Parliament, it would be better to state the principle which expresses the intention of Parliament and let the courts decide whether or not the cases they try are covered by the principle. He said that the government should mitigate the tyranny of the parliamentary timetable by allowing sufficient time for preparing major Bills. He proposed a period of two years to ensure that draftsmen were not rushed and time was allowed to consult outside experts. (That suggests that after a General Election the speech from the Throne might be pretty short.) He also proposed that primary legislation should exclude

    (a) unenforceable provisions
    (b) matters relating solely to the internal administration of government which are better dealt with by departmental circulars and
    (c) directions for controlling the procedure of independent official bodies such as quangos, statutory corporations and local authorities.

He also suggested that, despite the frequent need to make detailed provisions to express people's rights and duties in fiscal and other legislation, attempts to cover every hypothetical contingency should be avoided with details being left for codes of practice.

Parliament has not yet implemented all these suggestions. It remains to be seen whether they will be heeded by the man who now represents the constituency of which Lord Renton, as Sir David Renton, was the elected Member, namely John Major.

IMPLICATIONS FOR PUBLIC ACCOUNTABILITY

How then do we react to the present legislative framework and what are the implications for changing notions of public accountability? What follows deals with these matters in relation to the changing structures of government departments and the health service; and the increasing power and pervasiveness of financial and quality audit.

Ombudsman institutions

Although the ombudsman concept originated in Sweden, it was perhaps in Denmark in 1953 that it began its current activity and meaning to 'protect the individual against abuse of administrative powers and other forms of maladministration' (Nielsen 1982). Nielsen also attributes the absence in Denmark of anything akin to our parliamentary scrutiny of draft statutory instruments to the assignment to the Ombudsman of power not just to act upon complaints from individual citizens but also to initiate investigations. That power of self-starting which only some ombudsmen possess is one which the Select Committee on the Parliamentary Commissioner for Administration (PCA) has spent some time discussing. The power was mentioned in a debate on 1 May 1991 in the House

of Commons about the work of the PCA during which the Health Service Commissioner was described as the grumbling appendix of the NHS.

Another former Danish Ombudsman observed that the ombudsman function as primarily that of a disciplinary body has been toned down almost to extinction, with complaints received tending to be aimed at administrative decisions, rather than the misbehaviour of individual civil servants (Holm 1982). The function in respect of individuals in the NHS or public offices is not regarded as extinct in the United Kingdom by complainants disappointed that the PCA possesses no disciplinary powers over those who are the subject of complaint. Holm remarked that the Danish Ombudsman Act does not endow the opinions of the Ombudsman or his recommendations with a binding effect in law; but he concluded that this apparent weakness was turned into a great asset by the first Danish Ombudsman using pragmatic flexibility. Thus the Ombudsman is free to decide whether or not a complaint warrants an investigation; he is not bound to cover all points raised by a complainant; he may extend his investigation to cover other aspects of the matter; and he may at any time discontinue an investigation. (For such actions the Parliamentary Commissioner gives his reasons.)

The Australian example is also instructive. Dennis Pearce, formerly Australian Commonwealth Ombudsman, wrote in his final report (Pearce 1990) that the objectives of the Ombudsman were to improve the quality of Commonwealth administration and to provide a mechanism for individuals to obtain redress by:

(a) identifying instances of defective administration through independent investigations;
(b) encouraging agencies to provide remedies for members of the public affected by defective administration;
(c) identifying legislative, policy and procedural deficiencies, and encouraging systemic improvements to overcome those deficiencies; and
(d) contributing to advice to the government on the adequacy, effectiveness and efficiency of the various means of review of administrative action.

Pearce pointed out that objectives (c) and (d) derive from and are achieved through the Ombudsman's membership of the Administrative Review Council, the Australian government's principal advisory body on matters relating to administrative review. He commented that the essential elements of an ombudsman's role are *independence* and *power to make recommendations*. Independence is the only way to reassure members of the public that, where the Ombudsman indicates that there is no basis for criticizing the agency decision, he is not acting merely as an apologist for an agency. Obviously not all will accept such an assessment, but the properly informed will appreciate that an officer outside the control of the executive has examined the matter afresh. He noted that the power to *recommend only* means that the decision is that of the agency and is not imposed upon it; and he concluded that, if an ombudsman were tempted occasionally to think that it would be appropriate to determine the issue himself, such a power would change the nature of the office.

In 1967 Parliament passed the Act which introduced the Ombudsman to the

United Kingdom, the Office of Commissioner for Complaints being instituted in Northern Ireland in 1969. Some years later Parliament established the Health Service Commissioners for England, for Scotland and for Wales. In 1987 the jurisdiction of the Parliamentary Commissioner for Administration was widened to embrace not just government departments but a range of non-departmental public bodies which receive the greater part of their funds from the Exchequer. Examples are the Charity Commission, the Scottish Legal Aid Board, and the Commissioners of Northern Lighthouses. In 1990 the Courts and Legal Services Act gave the Parliamentary Commissioner jurisdiction over many (but not all) of the adminis- trative actions of officials of courts and tribunals appointed by the Lord Chancellor – but not those appointed by other ministers. The Local Government Commis- sioners for England and for Wales were established in 1974 and for Scotland in 1975.

Public accountability and monitoring

It is obvious that concepts of public accountability have changed and are changing. There are now ombudsmen, not all statutory, for building societies, banking, insurance, pensions, legal services and other activities such as investment. Further, there are regulators like the Offices of the Director General of Fair Trading, the Director General of Gas Supply, the Commissioner for the Rights of Trade Union Members, the Director General of Water Services – all last named being subject to investigation by the Parliamentary Commissioner.

To anyone in the public sector the phrase 'public accountability' is also bound to evoke thoughts of audit. John Bourn, the Comptroller and Auditor General, in describing the development of his own post and of the transformation of the Exchequer and Audit Department into the National Audit Office (NAO), has emphasized the development of professionalism, the increasing attention paid to value for money, the closer focus on the policy underlying expenditure and, most recently, the decision taken to publish an annual report on the NAO's activities. This last voluntary action characterizes a modern approach to openness and accountability to the public and an initiative to communicate also illustrated by the Audit Commission.

Public information

Another welcome exercise in public accountability has been the encouragement, not least by the Chartered Institute of Public Finance and Accountancy (CIPFA), to public bodies such as health authorities, public utilities and government depart- ments to present annual reports which are readable, visually attractive, comprehens- ible, and compare well with the best private sector company accounts. Such reports are public documents, inform the public and explain to employees how they individually fit into their enterprise. Such an approach is also exemplified by the Taxpayer's Charter, an Inland Revenue document noteworthy for its clear presen- tation, its explanation of objectives and its setting out the terms of its contract with taxpayers. It is commendable that the Revenue's annual tax return guide details the rights and entitlements a taxpayer should expect: help and information; courtesy and consideration; fairness; privacy and confidentiality; the need to keep at

minimum the cost of compliance; and an independent appeal and tribunal system, plus specific reference to the taxpayer's MP and the Ombudsman.

A further development involves the Public Expenditure Survey. First this served as a means of planning and controlling public expenditure. Then it became an exposition of the totality of government expenditure and the shares allotted to or won by the different services. As such it was still largely an insider's document. More recently it has become a series of separate volumes, communicating the expenditure, aims and objectives of each programme. Now the consumers of services, the public at large can, if they choose, place their devices and desires in a wider, more informed context. This material is relevant for Parliamentary Select Committees which cast increasing light (not always unmingled with heat) on the actions of the public bodies they scrutinize, whose senior officials are publicly and openly accountable to Parliament, to their customers, to the media, to their boards and to their staff. This contrasts sharply with the less exposed experience of their predecessors as recently as in the 1960s.

Council on Tribunals
Another mechanism for accountability is the Council on Tribunals with its concern with equity and independent hearings of grievances. The council has produced model rules of procedure for tribunals and comments annually on developments in access to appeals by citizens aggrieved at the action of a public body. It has criticized (1990) a growing tendency by departments to favour internal review of a challenged decision rather than a truly independent assessment by a separate tribunal. For justice to be seen to be done the council has argued that, where a decision affects a citizen's liberty, livelihood, status or other basic rights, 'nothing less is apt for the purpose than a properly equipped independent body able to bring an adjudicative approach to bear on the matter at issue. This approach enables individuals affected to perceive that their grievances are being dealt with afresh'.

Expectations from the public
As a Royal Institute of Public Administration (RIPA) conference held in April 1991 at Windsor and entitled 'Serving the People: the Public Services in the Nineties' emphasized, there is too little communication at all levels about the standards of service that should be set and the consequences for taxation whether local or national. More information nationally (similar to a local authority's breakdown of expenditure) is needed, with wider discussion about competing policies in order to raise levels of political literacy in the population and to guard against favouring only one sector of the community. Liaison with other agencies and with consumers' associations can create a wider vision; and complaints should serve to improve standards of service. Some of those issues come together in recent initiatives on a citizen's charter which emphasize the powerless position of the individual faced with poor service or an unhelpful bureaucracy, the need for accountability, the need for acceptable standards of service and their independent monitoring, and the opportunity to complain effectively and obtain redress. Such ideas are in course of elaboration and will occupy much political and administrative time to come.

They recognize the growth and importance of consumerism.

Audit is a contribution to accountability. It is of interest to note that during all the controversy which accompanied the changes in the NHS the concept of clinical audit won general support. The nursing profession have also done much *without outside prompting* to monitor and inculcate quality of care. Ownership of change and reform is a valuable means of changing the attitudes and professionalism of an organization, as was recognized by Derek Rayner in his development of efficiency scrutinies in the early 1980s.

Another innovation which has gained momentum in the public sector and is intended to increase accountability is the curiously titled Next Steps agencies. Just as organizations like the Post Office have split into separate businesses, so in government departments changes are being made intended both to bring service delivery closer to the customer using the service and to give those providing the service a closer sense of belonging to a manageable rather than a large and impersonal entity. The creation of NHS Management Executives as part of, but distinct from, the Departments of Health was a similar step. Now the framework documents of Next Steps agencies set out their aims and objectives, the performance indicators they will apply, and how to complain and to whom.

EFFECTIVENESS OF AUDIT

In a recent article Geoffrey Marshall commented on 'ombudsmanaging' local government (1990). In it he noted the difference in the Local Ombudsman's constitutional relationship to the bodies supervised by him from that enjoyed by the Parliamentary Commissioner. The contrast is that there is no backing for the Local Ombudsman similar to the Select Committee of the House of Commons which supervises the Parliamentary Commissioner's (and the Health Service Commissioners') activities. It can, and does, invite bodies criticized in reports to appear and account for their actions or inactions. Marshall commented that the local government cases revealed patterns of maladministration signifying unreasonable delay; undue delay; and just plain delay with a variety of faults, failures and omissions. He noted that, as in maladministration generally, activities are carried out by different bodies sometimes ignorant of each other's activities making erroneous assumptions about each other's spheres of responsibility, and 'passing ambiguous messages to each other via third parties who are in the course of changing jobs, reorganizing their filing systems and about to take their annual holidays'. Marshall suggested that it would be helpful if the Commission for Local Administration in England were to set out in future the full details of an occasional case derived from investigators' reports. Noting the absence of a Select Committee to look after the interests of Local Ombudsmen, he commented that judicial enforcement of the initiative of the Local Commissioners carries a danger to which they have always been rightly sensitive, namely that their own relationships with local government might become soured or unduly adversarial. That is a consideration which is always in my mind when I seek to persuade a body investigated by me of the rectitude of my findings and the recommendation I make for redress. Yet at the same time I am the last port of call, the last resource of a member of the

public who is complaining about the inefficiencies, maladministration or perverseness of some central government body or failure of service on the part of a health authority. Ninety per cent of complaints are justified in whole or in part.

CONCLUSION

This article has commented briefly on some recent developments and changes observed in public structures and accountability. I emphasize the need for public administrators to improve their communication skills, to listen to the public, to minimize delay, to give reasons for their actions, to be responsive to audit whether financial or quality, to concede that appeals on decisions are openly fairer when decided by an external agency properly trained and aware of its own responsibilities, to set and explain their aims and objectives. If they do all these things, they may be less likely to come athwart either the courts or ombudsmen (whose services are free to the complainant).

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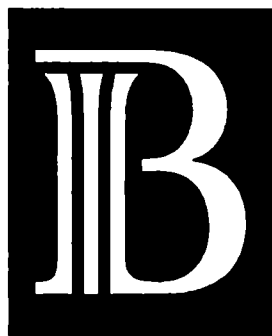
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THE NEXT STEPS INITIATIVE: AN EXAMINATION OF THE AGENCY FRAMEWORK DOCUMENTS

PATRICIA GREER

INTRODUCTION

In 1988 the Prime Minister's Efficiency Unit produced a report, 'Improving Management in Government: The Next Steps', which has since become the manifesto of change in Whitehall. The main aims of the initiative are to improve management in government and to deliver services more efficiently and effectively within available resources. The rationale behind the initiative is the recognition that 'the Government machine is too big and its activities too diverse to be managed as one unit'. The solution is the current move to create executive agencies from the operational arms of Whitehall.

The issues raised by the initiative are fundamental, questioning existing perceptions of the functions and nature of the British executive and of the executive's relations with Parliament. The first evidence of the likely resolutions of such issues is available in the framework documents which, along with the annual business plans and the five yearly corporate plans, define the framework in which agencies are to operate. This article examines the first 34 framework documents of the agencies established up to the end of March 1991. A list of these is shown in appendix 1. Essentially this article covers two areas: first, it considers the similarities between the documents and the unresolved dilemmas apparent therein; second, it examines the differences and considers the reasons for these variations and their implications.

THE SIMILARITIES BETWEEN THE FRAMEWORK DOCUMENTS

The framework document is crucial in setting out the contractual responsibilities of the various parties involved in an agency arrangement so it is not surprising to find that the Next Steps team at the Office of the Minister for the Civil Service (OMCS) have taken a central lead in providing guidance on its contents. The bare bones of the guidance are clear from the framework documents. First, the five ingredients the OMCS regard as key in defining the structures in which agencies

Patricia Greer is a Research Officer in the Centre for the Analysis of Social Policy, University of Bath.

are to operate are identified: aims and objectives; relations with Parliament, ministers, the parent department (unless the agency is a separate department), other departments and other agencies; financial responsibilities; how performance is to be measured; and personnel issues including the agency's delegated personnel responsibilities and the agency's role and flexibilities for pay, training and industrial relations arrangements. Second, the guidance offers direction on how to step around dilemmas that agencies cannot be left on their own to tackle.

A first dilemma: the division between 'policy' and 'operational' matters

Despite the framework documents' (remarkably similar) attempts at clarification, there are potential overlaps in the responsibilities of ministers, departments' headquarters and agencies. This obfuscation stems from the lack of a clear dividing line between policy and operational matters. For example, with regard to the respective responsibilities of departments' headquarters and agencies' accounting officers, the Veterinary Medicines Directorate's framework document is fairly typical; 'The departmental accounting officer remains answerable for the general structure within which the Directorate is required to operate....The agency accounting officer is answerable on the Directorate's detailed operations and its performance against targets' (Department of Agriculture 1990, para. 4.9). If the headquarters accounting officer is responsible for all 'policy' matters then how does he know where his responsibilities begin and end? This issue is likely to raise more difficulties where the operations of an agency are politically sensitive, for example, in the case of the Social Security Benefits agency. In such instances it is more likely that 'policy issues' will extend much further down into operational matters than would otherwise be the case.

Similarly, on the issue of parliamentary questions, the framework documents are all very clear; ministers will reply on matters concerning policy or where Members of Parliament specifically seek a ministerial reply, and chief executives will reply on matters concerning the day-to-day operations of the agency. In this example 'policy' issues are likely to push down into 'administrative' issues so as to avoid contentious questions being raised in the House and published in *Hansard*.

A second dilemma: the aims of accountability and flexibility

There are essentially two types of accountability; first, there is the question of internal accountability, that is, the way in which agencies are held accountable for their performance by senior management and parent departments (Day and Klein 1987) and second, there is the question of external or parliamentary accountability. Difficulties arise in twining the notions of parliamentary accountability and flexibility. The Next Steps premise is that the nature of parliamentary accountability will remain unchanged. Indeed, the government response to the Treasury and Civil Service Select Committee report (HC 481, 1990) concluded that the establishment of agencies does not diminish ministerial accountability (Cm. 1263, 1990, p. 13). If 'flexibility' is to be at all meaningful, however, it will involve experiment and thereby risk. Examples include the plans for a number of agencies to expand in their existing or maybe in new markets and the specified plans of a number of

agencies to move from gross to net cost accounting systems and then perhaps to trading fund status (the details of these plans are explored below). If the National Audit Office and the select committees continue their traditional roles of reporting to Parliament on the economy, efficiency and effectiveness of the use of the resources in specific areas, then, particularly at the early stages of agency development, they are likely to be accused of stifling innovation and, consequently, the spirit of the Next Steps initiative. The potential incompatibility of increased flexibility with parliamentary accountability, therefore, provides agencies and departments with a rationale for attempting to limit the scope of the parliamentary watch-dogs.

THE DIFFERENCES BETWEEN THE FRAMEWORK DOCUMENTS

A typology

Agency status, despite the overall uniformity of Next Steps' language and aims, is likely to hold very different meanings and provide very different opportunities for agencies. This is reflected in their framework documents. The natures of the executive functions being transferred to agency status are diverse and consequently the differences between the framework documents result, in part, from this diversity. A typology categorizing by nature of executive function is therefore a useful tool for exploring the extent to which differences between framework documents relate to function and the extent to which they relate to other factors. Such a typology is shown in table 1.

The typology develops that of Dunleavy and Francis (1990) who identify eight main agency types but do not develop this categorization to consider the main features of those agency types. The typology developed in table 1 is a three-tier typology identifying the main agency types, dividing those charging for services from those not charging and those with monopolies over their markets from those with no such monopoly. The 'self-funding agencies' and in particular, the 'non monopoly self-funding agencies' (especially those carrying out work for the private sector) clearly have the greatest potential for development as autonomous business units.

Reasons for agency status creating improvements in effectiveness and efficiency

All the agencies adopt the central Next Steps objective of achieving improvements in effectiveness and efficiency. A main difference between the framework documents, however, is in the expressed reasons for why such improvements should occur. Many of the 34 framework documents cite the new freedoms and flexibilities as enablers of improvements in effectiveness and efficiency. Examples of this include the Hydrographic Office where greater management freedoms and flexibilities are to make it easier for it 'to seize the opportunities which its new status offers for delivering progressive improvements in performance' (Ministry of Defence 1990, foreword); the Land Registry where 'greater managerial freedom is expected to achieve progressively improving performance targets' (Lord Chancellor's Department 1990, foreword); and the Employment Service agency where 'agency status will allow the management and staff freedom to manage and deliver their services more efficiently and imaginatively, and so improve the whole range of their service

TABLE 1   A typology of Agencies

Agency type	Agencies	Accounting system	Recruitment	Industrial relations
NOT SELF-FUNDING Monopoly	WELFARE SERVICES			
	Resettlement Agency	AS3	R5	IR2
	NI Training and Employment Service		R6	IR3
PUBLIC SERVICE	Employment Service	AS3	R6	IR3
	Meteorological Office	AS3	R1	IR2
	Ordnance Survey	AS3 (may be AS2 depending on Treasury discussions)	R6	IR2
SELF-FUNDING Monopoly	REGULATORY			
	Land Registry	AS1	R6	IR2
	Registrars of Scotland	AS1	R5	IR2
	National Weights and Measures Laboratory	AS3	R5	IR2
	Veterinary Medicines Directorate	AS2	R2	IR3
	Vehicle Certification	AS1	R6	IR1
	Radiocommunications Board	AS1	R6	IR2
	Intervention Board	AS3	R5	IR2
	Companies House	AS1	R5	IR2
	Patent House	AS3	R5	IR2
	Insolvency Service	AS3	R5	IR2
	Vehicle Inspectorate	AS2	R5	IR2
	Driving Standards Agency	AS1	R5	IR2
	Driver and Vehicle Lic.	AS1	R2	IR3

		AS	R	IR
PRODUCTION	The Royal Mint	AS1	R3	IR2
	National Physical Laboratory	AS1	R5	IR2
	HMSO	AS1	R4	IR3
	Hydrographic Office	AS1	R6	IR2
CONSULTANCY To Govt. Depts. and other agencies	Occupational Health Ser.	AS2	R4	IR2
	Civil Service College	AS1	R5	IR2
	Natural Resources Instit.	AS1	R5	IR2
	Central Office of Info.	AS1	R5	IR2
	Information Technology Services Agency	AS2	R1	IR1
To Govt. Depts. and agencies and private sector	National Engineering Lab.	AS1	R2	IR2
	Central Veterinary Lab.	AS2	R1	IR3
	Building Research Estab.	AS1	R5	IR2
	Warren Spring Laboratory	AS1	R5	IR2
	Lab. of the Govt. Chemist	AS1	R5	IR2
	QEII Conference Centre	AS1	R5	IR1
LEISURE	Royal Historic Palaces	AS1	R1	IR1

Not Monopoly

KEY
AS1: Trading fund or plans to become trading fund
AS2: Operating a net cost accounting system
AS3: Operating gross cost accounting system

KEY
R1: Agency delegated to recruit up to grade 6
R2: Agency delegated to recruit up to grade 7
R3: Agency delegated to recruit up to grade 6
R4: Agency delegated to recruit up to Executive Officer
R5: Agency delegated to recruit Administrative Assistants and Adminstrative Officers
R6: Framework document non-specific on this issue

KEY
IR1: Appropriate means for communicating with staff to be developed
IR2: Existing systems or adaptation of these
IR3: Vague

to clients' (Department of Employment 1990, foreword). Other framework documents single out further factors such as improvements in internal management (Patent Office), increased motivation for managers and staff (Patent Office), a sense of corporate identity (Vehicle Certification Agency, Driving Standards Agency) and the businesslike framework within which to operate (Civil Service College). The variations in expressed emphasis as to why agency status should result in improvements in effectiveness and efficiency have no correlation with agency function as defined in table 1.

Differences in the intended development of agencies

The framework documents show that agencies will increasingly diversify as they develop. The 'self-funding agencies' all emphasize the importance of becoming more commercial and profitable and of increasing the proportion of their costs covered through fees. Even at their conception, some agencies are more commercial than others. Two of the 'Consultancy' agencies are useful examples of 'developed agencies', the Central Office of Information and the Civil Service Occupational Health Service. The Central Office of Information became a full repayment department in 1984 and since 1987 departments have been free to choose whether or not to purchase certain services from the Central Office of Information. Similarly, the Civil Service Occupational Health Service already recovered its full costs from charges to customer departments, who have the choice of purchasing the services provided by the Civil Service Occupational Health Service from elsewhere.

   In addition, many of the 'self-funding agencies' have the aim of expanding both in existing and in other markets. One example of this is HMSO where it and the Treasury will periodically review the scope for HMSO expanding its client group and range of services; another, Warren Spring Laboratory, where 'the size and shape of the Laboratory will depend on the orders it can win from customers' (Department of Trade and Industry 1989, foreword). The only framework document which explicitly takes these commercial values a step further to talk of future privatization is that of the National Engineering Laboratory. As an aside, both the National Engineering Laboratory and Vehicle Inspectorate were earlier candidates for privatization. It appears they are again being presented but this time under a different guise. Clearly there are other potential candidates for privatization in particular among the 'self-funding agencies'. On the whole, the framework documents are explicit in areas where issues are under review and change is likely. The fact that only the National Engineering Laboratory framework document talks explicitly of privatization would therefore suggest either that privatization is not an issue for the other agencies or that a cautious approach is being adopted where decisions on privatization depend on a number of factors including the success of agencies in achieving their aims and on political priorities.

Differences in financial arrangements

Agencies' accounting arrangements are important in determining their flexibilities, freedoms and future. Gross accounting is basically where all receipts and expenditures are presented in the accounts and net accounting is where receipts are netted

off against expenditures and only the final figures are shown. Trading funds are basically net accounting systems operating independently of the Supply system, that is, the system by which Parliament provides and receives money. Table 1 shows that the framework documents divide almost cleanly between the 'self-funding' agencies which, on the whole, are, or intend to, adopt net cost accounting systems or trading fund status and the 'not self-funding' agencies which will retain gross cost accounting systems. Three exceptions are 'regulatory' agencies with no stated intentions to change from their current gross accounting systems – the Insolvency Service, the Patent Office and the National Weights and Measures Laboratory.

The move to net, not gross, running cost control and, for some, to trading fund status, will provide agencies with much greater freedoms as it is likely to allow them greater control over their own resources. However, this assumes that other controls, for example the consultation procedures (with parent departments and Treasury) for agencies wishing to increase charges for services, are not so bureaucratic as to invalidate the new 'freedoms'. Related to this is the technical but important point that the price for the 'self-funding agencies'' new freedoms is, again, reduced parliamentary accountability. The move to net accounting means that Parliament is relinquishing control of the right to see all receipts except where special dispensation has been granted to net off certain receipts against expenditure.

Personnel delegations: recruitment and industrial relations arrangements

The transformation to agency status has considerable potential for significantly transforming what it means to be a civil servant because of the wider organizational changes and because of changes in personnel practices, varying between agencies and departments. Personnel areas where differences between the framework documents occur include the arrangements for recruitment and industrial relations negotiations.

The powers for an agency to carry out its own recruitment provide the agency with flexibility to recruit with greater speed as and when the need arises, the 'type' of staff required both for carrying out the task in hand and also to fit the self-image. Two points are clear from an analysis of the recruitment responsibilities of agencies. First, table 1 shows that the initial delegated powers of recruitment as stated in the framework documents are cautious. The highest level to which agencies can make permanent appointments is up to grade six or seven and only seven out of the 34 agencies can do this. Of the 34 agencies, 17 can only make permanent appointments at administrative assistant and administrative officer level. Second, those agencies with specialist staff have greater freedoms – the 'self-funding' agencies (in particular, the 'Consultancy', 'Production' and 'Regulatory' agencies). This reflects less their functions than the nature of their staff.

All of the framework documents examined outline in some detail the proposed industrial relations structures and all delegate responsibility for agency industrial relations to the chief executive (see table 1). Some of the framework documents say that existing arrangements or an adaption of existing arrangements will continue for the present but will be kept under review (management consultation through trades unions within the Whitley system). For example, the Occupational Health

Service Framework Document states, 'The existing arrangements with trade unions will continue to apply initially, but will be subject to review and development over time' (Office of the Minister for the Civil Service 1990, para. 7.8).

Others say that new arrangements for communicating with staff will be developed, and outline their plans, for example, the Historic Royal Palaces executive agency's framework document states, 'Committees, including the trades unions (both industrial and non-industrial) as appropriate, will be established for the main palaces, and for the agency as a whole' (Department of Environment 1989, para. 5.8).

Others are quite simply vague, for example, the Employment Service's framework document states, 'The chief executive is responsible for conducting effective employee relations within the agency including consultation, as appropriate, with recognised trades unions within the agency' (Department of Employment 1990, para. 7.4).

The differences between the framework documents on this issue appear to relate less to the function of the agency than to a confusion about what arrangements are and will be appropriate. There is therefore a paradox that while industrial relations structures are likely to be important throughout the progress of this major reform of the civil service, particularly where the reform affects staff's terms and conditions of employment, the structures themselves are also experiencing change and uncertainty. Looking further ahead the question arises of if and how, the two main civil service unions (the Civil and Public Servants Association and the Society of Civil and Public Servants) will adapt to ensure they continue to represent the interests of *all* their members when the nature of those members' jobs, working environments and consequently interests becomes increasingly diverse as agencies develop.

CONCLUSIONS

The framework documents therefore raise many, as yet, unanswered questions although they also provide some sense of the direction and potential impact of the Next Steps initiative. First, analysis by 'type' of agency shows that what it means to be an 'agency' is largely dependent on function. Most agencies who rely on exchequer funding aim to become more effective, efficient and distinct executive arms of government (the exception being the Resettlement Agency which is unlikely to continue its role as an agency when it has achieved its aim of closing the resettlement units). The future of many of the 'self-funding agencies' however, seems more uncertain and at least some will probably move into the private sector. Second, the analysis of the documents suggest that the uniformity of the civil service and of the prevailing image of the civil servant is likely to change. In addition, the agencies' ethos are likely to become increasingly diverse. Third, the framework documents provide a number of indicators that parliamentary accountability may not be fully upheld. The lack of a clear dividing line between policy and operational matters can result in 'policy' being incrementally defined to suit ministers, department headquarters and, to a lesser extent, agencies. The flexibility which is core to the aims of Next Steps, involves risk, and risk is a concept which Parliament's watchdogs traditionally aim to minimize. Flexibility can therefore only progress if the

watch-dogs are called off or marginalized. Finally, the move to net cost and trading fund accounting systems will provide those agencies involved with greater flexibility but at a cost to parliamentary accountability. Such a move involves Parliament relinquishing its right to see all receipts except where special dispensation has been granted.

APPENDIX ONE: LIST OF THE 34 FRAMEWORK DOCUMENTS EXAMINED

Department of Agriculture
Central Veterinary Laboratory Executive Agency Framework Document, April 1990.
Intervention Board Executive Agency Framework Document, April 1990.
Veterinary Medicines Directorate Executive Agency Framework Document, April 1990.

Department of Employment
Employment Service Executive Agency Framework Document, April 1990.

Department of the Environment
Queen Elizabeth II Conference Centre Executive Agency Framework Document, July 1989.
Historic Royal Palaces Executive Agency Framework Document, October 1989.
Building Research Establishment Executive Agency Framework Document, April 1990.
Ordnance Survey Executive Agency Framework Document, May 1990.

Department of Social Security
Resettlement Agency Framework Document, May 1989.
Information Technology Services Agency Framework Document, April 1990.

Department of Trade and Industry
Companies House Executive Agency Framework Document, October 1988.
National Weights and Measures Laboratory Executive Agency Framework Document, April 1989.
Warren Spring Laboratory Executive Agency Framework Document, April 1989.
Insolvency Service Executive Agency Framework Document, March 1990.
Patent Office Executive Agency Framework Document, March 1990.
Radiocommunications Agency Framework Document, April 1990.
National Physical Laboratory Executive Agency Framework Document, July 1990.
Laboratory of the Government Chemist Executive Agency Framework Document, October 1990.
National Engineering Laboratory Executive Agency Framework Document, October 1990.

Department of Transport
Vehicle Inspectorate Executive Agency Framework Document, August 1988.
Driver and Vehicle Licensing Agency Framework Document, April 1990.

Driving Standards Agency Framework Document, April 1990.
Vehicle Certification Agency Framework Document, April 1990.

Lord Chancellor's Department
HMSO Executive Agency Framework Document, December 1988.
Central Office of Information Executive Agency Framework Document, April 1990.
Royal Mint Executive Agency Framework Document, April 1990.
Land Registry Executive Agency Framework Document, July 1990.

Ministry of Defence
Hydrographic Office Executive Agency Framework Document, April 1990.
Meteorological Office Executive Agency Framework Document, April 1990.

Northern Ireland Central Office
Training and Employment Agency Framework Document, April 1990.

Office of the Minister for the Civil Service
Civil Service College Executive Agency Framework Document, June 1989.
Occupational Health Service Executive Agency Framework Document, April 1990.

Overseas Development Administration
Natural Resources Institute Executive Agency Framework Document, April 1990.

Scottish Office
Registers of Scotland Executive Agency Framework Document, April 1990.

NOTE

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Department of Employment. 1990. *The Employment Service Executive Agency framework document*.
Department of Environment. 1989. *Historic Royal Palaces Executive Agency framework document*.
Department of Trade and Industry. 1989. *Warren Spring Laboratory Executive Agency framework document*.
——. 1990. *The National Engineering Laboratory Executive Agency framework document*.
Day, P. and R. Klein. 1987. *Accountabilities*. London: Tavistock.
Dunleavy, P. and A. Francis. 1990. The development of the Next Steps programme 1988–90', appendix 5 in HC 481 Treasury and Civil Service Committee Eighth Report, *Progress in the Next Steps Initiative*. London: HMSO.
Efficiency Unit. 1988. *Improving management in government: the Next Steps*. London: HMSO.
Lord Chancellor's Department, 1990. HM *Land Registry Executive Agency framework document*.
Ministry of Defence, 1990. *Hydrographic Office Agency framework document*.
The Office of the Minister for the Civil Service, 1990. *The Occupational Health Service Executive Agency framework document*.
Treasury and Civil Service Committee. 1990. HC 481 Session 1989–90, *Progress in the Next Steps initiative*. London: HMSO.

COMPARATIVE AND INTERNATIONAL ADMINISTRATION _____

PROFESSIONALISM AND PUBLIC POLICY MAKING IN GREECE: THE INFLUENCE OF ENGINEERS IN THE LOCAL GOVERNMENT REFORMS

PARASKEVY CHRISTOFILOPOULOU

The influence of professionals in the formulation of public policies has been an issue of scientific research in the past decade. In this article we deal with a less examined aspect of this issue. Professional influence is analysed in the context of Greek public policy, where the intensely centralized administration is dominated by the demands of political clientelism. Focusing on the case of the influence of engineers in local government reform between 1974 and 1989, the article reveals the role of professionalism in the hesitant decentralization of functions and resources to local authorities and the initiation of institutions that have allowed the birth and development of new organizations at the central and the local level. Given the shift towards party-directed patronage and the intense party politicization of professional and trade organizations, the central state apparatus and the local authorities in post-dictatorship Greece, professional influence in public policies is seen to be closely related to the rise of professionals in party hierarchies. The catalytic role of professionals in the promotion of reform policies producing organizational diversity and fragmentation is understood within the context of the contradiction between the need to adapt state structures and practices in a rapidly changing international environment and the preservation of traditional political and administrative forces in key positions of the power structure.

INTRODUCTION

The influence of professionals in the policy process during the post war period has repeatedly been an object of scientific research. The great bulk of the relevant literature, however, draws from the experience of industrialized liberal democracies. Professional influence in less developed countries of the so-called 'semi-periphery' (Mouzelis 1986), where public policies are influenced by populist and clientelist

governmental systems, raises a number of interesting questions. What is the role of professionals (if any) in redistributive policy systems (Lowi 1972) overtly or covertly linked to political demands often of a populist nature? What limitations are imposed on reformist initiatives of professionals by anachronistic and rigid organizational structures in line bureaucracies fed by clientelist politics? Are professionals influenced by party politics in political systems displaying an intense 'party politicization' of professional associations, trade unions and interest groups in general? In such cases are professional policy makers spurred by professional ethos, 'trade' interests or party ideology? What is their role in intergovernmental relations in highly centralized polico-administrative systems where the majority of functions requiring the use of their specialties belong to central ministries?

The present article does not pretend to answer these questions by forming theoretical arguments for a relatively unexplored area. The intention is rather to attempt possible insights to their answers by focusing on a specific case, i.e. the influence of professionals in Greece, a country of the European 'periphery'. The policy area concerns the institutional and financial reforms of local government in the post-dictatorship period (1974–89).

Policy making in Greece

Greece has been a stable parliamentary democracy since the fall of the colonels' junta in 1974. The country has a one-house parliamentary system and a strong executive branch. The policy process is characterized by legalism (Athanasopoulos 1983): strict legal procedures for administrative action and the preparation of laws as the policy 'tool' *par excellence* for the solution of social problems. Public policies thus usually take the form of legal or administrative documents (laws, presidential decrees, ministerial decisions or administrative circulars) which are prepared at different stages of the formulation and implementation process by different levels of ministerial line bureaucracies. The role of parliament in the formulation of laws is insignificant compared to that of the executive (Kasimatis 1981). Changes to the draft laws prepared by the respective ministries are often decided by the relevant parliamentary work groups of parties, but these usually concern minor alterations mainly connected to the demands of party competition. Given the strict party discipline and the steady governmental majorities up to 1989, the parliamentary debates may have indicated the intensity and scope of party competition in the different policy areas, but rarely have they influenced the policy contents of the bills discussed in a significant way.

Moreover, a number of legal formulations give additional strength to the policy-making power of the executive. The preparation of 'law-frameworks' is the most frequent and effective technique of delegating law-making power to the executive. It entails the voting of general laws on several policy areas, together with the delegation of the responsibility for their specification to the competent ministries by means of presidential decrees. The decrees are prepared and signed by ministers, checked for their legality by the Council of State and ratified by the President of the Republic.

Furthermore, the characteristics of the administrative apparatus ensure that

implementation, when feasible, is time-consuming and ineffective. Greek public administration has Napoleonic structures and its personnel has been the 'main arm of political clientelism' (Tsoukalas 1986, p. 29). There is no continuity, cohesion or specialization of policies. The administration of routinized decisional systems is the main preoccupation of the civil service. Interministerial co-ordination is encumbered by strict procedures and characterized by strong rivalries over a multitude of overlapping functions. The implementation of policies may also fall victim to the poorly staffed and under-equipped units of field administration.

Local government and administration
Centralization is a dominant characteristic of the Greek State. An integrated system of prefectoral field administration divides the country into 51 prefectures (called *nomoi*, sing. *nomos*) headed by prefects appointed by the government. Prefectures are not autonomous legal entities and they operate under close supervision from the ministries in Athens. The absence of local government at the *nomos* level makes the policy environment appear overwhelmingly bureaucratic. However, the fact that the *nomoi* are also the electoral constituencies for general elections means that they are simultaneously the action areas of politicians. Not surprisingly, political pressures are exercised by local authority executives on the local deputies, the most usual of which concern the inclusion of municipal works in the Public Investment Programme of the *nomos*. The formal bureaucratic system of the prefectures serves as a legitimation facade under the 'legality' and 'neutrality' of which a fierce battle of political brokerage is played between the local deputy, the mayor and the prefect (Kaler-Christofilopoulou 1989).

   During the post-war period, until the beginning of the 1980s, Greek local government was heavily dependent on the centre. There was only one tier of local authorities separated into *demoi* (or cities of more than 10,000 inhabitants) and communes (smaller towns and villages). Local government operated under strict prefectoral supervision, while the extreme fragmentation of communes, and the lack of specialised staff, aggravated its dependence on state organizations. Insignificant local taxation and a grant distribution system totally controlled by central government meant a permanent dependence on the centre for funds (Tatsos 1988). The power of central government thus lay in its control of the overwhelming majority of administrative and financial resources and its power to set the rules governing the interactions between state organizations and local authorities, by legislation and administrative regulations. Moreover, the state traditionally underplayed the political role of local government while political parties used the municipalities they controlled as platforms of opposition to the government. Local politics were thus linked to central games of power, while local government associations were heavily party politicized. Figure 1 describes the main structures of central-local relations before the local government reforms.

   The 1980s witnessed a steady succession of policies designed to deconcentrate state administration and to upgrade the role of local government by remedying its structural weaknesses and lessening its dependence on the central state. Functions were transferred both to prefectures and local authorities, and an upper tier

FIGURE 1   *State and local government relations in early post-dictatorship Greece*
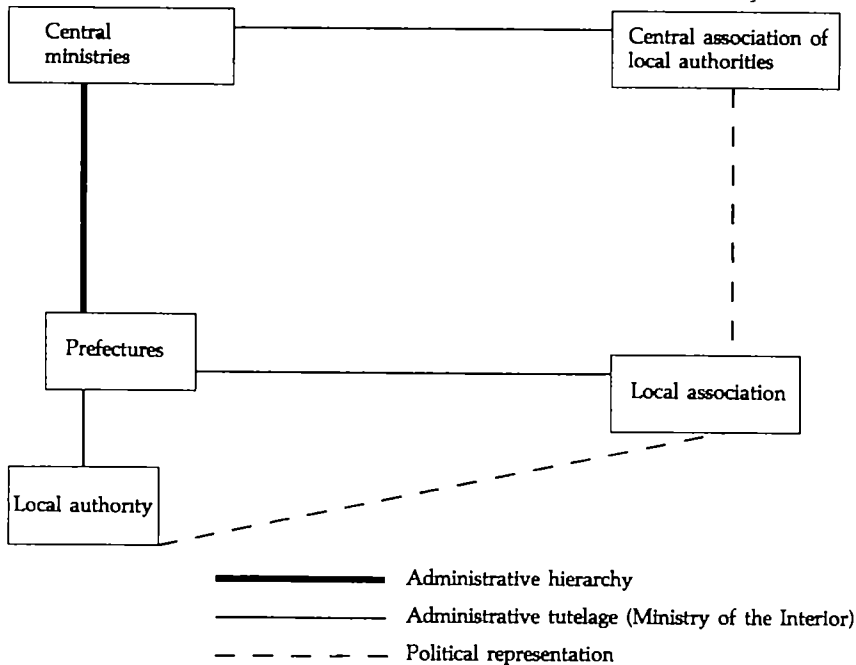
of local government was created (although not yet implemented) in the area of the *nomos*. A series of organizational reforms were introduced to strengthen the bottom tier authorities, and legislative efforts were made to rationalize the system of local finance. The emphasis lay for the first time on the role of local government in development, while the whole policy process of the reforms accentuated the political character of this institution (Kaler-Christofilopoulou 1989).

The following study explores the influence of professionals in local government reform in Greece. Its main task is to show how professionals and especially engineers, lobbying through their associations and acting inside governmental bureaucracies, have exercised crucial influence in furthering the idea of decentralization in a highly centralized state; in the formulation and implementation of the contents of decentralization policies; and in the organizational fragmentation of the relevant administrative structures.

PROFESSIONAL INFLUENCE IN GREEK PUBLIC POLICY

The lobbying of ministries and public agencies by the professional organizations in Greece was traditionally limited to issues related to their narrowly defined trade interests. The professional organizations did not intervene in the formulation of public policy by processing proposals for government in areas related to their specialities. Their main influence in matters not related to their trade interests was exercised by their presence in government and administration either as political appointments or as civil servants. Lawyers and doctors were traditionally the most

influential professional groups in Greek politics (Legg 1969), as they formed a large percentage of the political personnel of the dominant parties. The legalism displayed by the administration, one of the many aspects of formalism of the state and society in Greece, put lawyers in an *a priori* advantageous position in any reform process.

Nonetheless, the influence of jurists has been challenged since the mid-seventies, by the rising activity of other professionals in the policy process. Engineers form a distinct and increasingly influential professional category. In the post-war period engineers had gained not only economic power but also prestige and influence as 'the process of industrialisation was to a large degree based on construction with positive results for the stabilisation of power and negative for long-term economic development' (Charalambis 1985). The pattern of small landownership linked to social conservatism and the maintenance of the existing power structure was transformed into flat-ownership in the post-civil-war years of growing urbanization (Charalambis 1985, p. 88). Engineers, whose interests coincided to a large extent with those of the landowners, undoubtedly had a heavy influence in housing and urban planning policy. Their powerful organization, the 'Technical Chamber of Greece' consisted of engineers of all specialties, separate from their associations (i.e. the association of civil engineers, architects, chemical engineers, etc.). The strength and influence of this chamber is seen by the fact that it is by law the technical adviser to the Greek state. This role legitimates the chamber's more-or-less direct intervention in policy areas of a technical nature but was not really activated until after the fall of the dictatorship. During the 1950s and 1960s not only was the presence of engineers in Greek politics marginal but their influence in public policy was confined to the domain of what was then the Ministry of Public Works. It is only in the post-dictatorship era that engineers intervened more actively or at least more visibly both in Greek politics and in the policy arena.

The increasing presence of engineers in politics and the policy process from the mid-seventies onwards can be attributed to two parallel causes. First, as the construction boom waned (Pavlidis 1987, p. 36) they had to find alternative ways not only to get employment, but more importantly to retain and reinforce their powerful position of influence in the Greek state and society. The problems created by rapid and massive urbanization and the related social demands for the improvement of living conditions by the creation of infrastructures and the provision of welfare services by the state, created new possibilities of action, influence and power for engineers inside organizations in the public sector. Second, these processes coincided with the entry into practice of a generation of engineers radicalized in the student movement of the sixties and student resistance against the junta. The imposition of a tax on construction by the junta government in 1973, further undermined its already precarious existence and triggered off protests by the association of civil engineers. These protests were a useful screen for the more political activities of those engineers who belonged to resistance organizations.

There was a twofold outcome to these processes in the post-dictatorship era. First, most of the active members of the Technical Chamber of Greece joined the newly founded political parties. The Panhellenic Socialist Movement (PASOK) was the party that recruited most of the young radicalized engineers some of whom

even formed part of its top political personnel (Lyrintzis 1983). The continuation of an overwhelmingly left-wing majority on the Governing Committee of the Technical Chamber of Greece and the direct links of its members with the political parties meant two things: that its activities would serve the broader purposes of the (then) opposition as well as the particular needs of each of the parties.

Second, immediately after the restoration of democracy, the chamber also sought to revive its forgotten role as state adviser on technical issues. Interpreting 'technical' to mean anything that required some kind of specific knowledge and was not *stricto sensu* political, the Technical Chamber of Greece first offered advice on the articles of the new constitution concerned with the environment, land use and economic planning.

To meet the organizational needs of such activities the chamber formed standing committees covering 15 subjects only three of which were linked to the trade needs of its members. The rest concerned not only the technical but also the socio-political, economic and legal side of policy areas often only remotely connected with professional practice; for example, housing, social infrastructure, urban and regional planning, economic planning, regional development, environmental protection, decentralization and local government. These policy areas were precisely those in which the presence of the state was limited or its interventions negative. The objectives of each standing committee were to build up a pool of knowledge about its policy areas; feed it into the party organizations; to propose solutions to the government; and to publicize the issues and the relevant activities and skills of member engineers by a series of lectures, seminars and conferences (Kaler-Christofilopoulou 1989).

Two factors helped the engineers to dominate their chosen policy areas in the post-dictatorship period. First, the almost complete absence of sociology and political science departments (until the mid-seventies) in Greek universities which treated the mentioned issues either not at all, or in a narrow legalistic framework. This meant that no other professional group claimed expertise in these specialties. Even lawyers failed to treat the legal side of the subjects in any systematic or serious manner. Second, the increasing need for modernization and reform, not only of state structure but also of state policy, increased the legitimacy of rational, technocratic solutions to social problems in the Greek public sector.

LOCAL GOVERNMENT AND THE ENGINEERS

Local government was one of the special areas of interest for engineers. The Technical Chamber of Greece created a 'Standing Committee for Local Government'. Its aim was to participate in the promotion of decentralization and the strengthening of local government. The activities of this committee were: the production of short studies, the creation of a local government section in the library of the chamber, and the organization of a number of public lectures and conferences on decentralization which served its publicity needs (Kaler-Christofilopoulou 1989). Judging from the committee's activities, we can conclude that its policy was to create a body of knowledge around the area of local government (primarily for the benefit of its members), and to publicize both the need for local government

reform and the concern (and ability) of its members to initiate and guide such a reform.

On the other hand, this special concern of the Technical Chamber of Greece for local government seems puzzling as there is no evident coincidence of interests with this institution. Employment of engineers in local authorities was limited, mostly to the larger local authorities like Athens, Piraeus and Thessaloniki which could afford to employ their own technical staff. Municipal works were mostly undertaken by the 'Technical services of *Demoi* and Communes' which were special bureaux in every prefecture. Central supervision and guidance for municipal works (Avdelidis 1980; Christofilopoulos 1980) was so thorough that we may safely argue that any influence of professionals on municipal infrastructure work, at least until the 1980s, was through their employment in central departments or prefectures. Equally, the role of local government in the power structure was minimal to non-existent. Consequently the interest of the chamber must be seen as an effort to create a network in a key power position of the Greek state. Engineers' interests were best served by developing and acquiring positions either in the central state apparatus or its regional bodies. Admittedly, Greek engineers had been socialized into believing that they were a key group for the development of the country. Their interest in the reform of the public sector can be said to stem from their awareness of this key role in development. Nonetheless, there was no evident, pre-existing link between state reforms and decentralization because local government was linked more with democratization than with rationalization and administrative reform.

This involvement of engineers in lobbying for decentralization cannot be understood without reference to the fact that professional associations and trade unions in post-dictatorial Greece are not only guided and supervised by the state but also intensively controlled by political parties (Mavrogordatos 1989). Party politics thus shape the context of professional activities which are in turn used for the formulation of party policies and programmes. In our case, a considerable number of the active members of the chamber's 'Standing Committee for Local Government' were either members or followers of PASOK. The professional branches of this party were in close communication and cooperated with the professional associations. The links were particularly close in the case of the Technical Chamber of Greece. The increasing activity of this party in local government during its period of growth in opposition, and the parallel growth of the relevant section of its organization, were a strong influence on the branch organizations of the chamber (Kaler-Christofilopoulou 1989).

More specifically, PASOK's 'Committee for Local Government and Local Problems', had established relations with working committees and various branch organizations of the party which functioned inside professional and trade organizations. The engineers were the professional group with which the contacts of this party committee were both continuous and effective. The political balance in the board of directors of their chamber facilitated a continuous working relationship between the two local government committees. There was an active exchange of knowledge, information, views and ideas on decentralization among the members

of the two committees. Their members collaborated in a number of activities and initiatives. First, the engineers' ideas were used in PASOK's Municipal Programme. The organization of conferences and seminars was the second area of close and effective collaboration. Finally, from 1977 onwards, the engineers supported the interventions of PASOK in municipalities and their associations (for example, the Central Association of Local Authorities). This cooperation included the provision of bibliographies and the consultancy by the Technical Chamber of Greece 'experts' on issues such as local government reform. A core group of decentralization advocates was thus created, whose members were either in the main PASOK organization or supporting PASOK in the Technical Chamber of Greece. These party/professional links around the issue of decentralization were to strengthen with the growth of the respective committees (Kaler-Christofilopoulou 1989).

Thus, in the 1970s, there was a rising interest amongst engineers in local government reform. This interest was a consequence of the influence on their chamber by parties of the (then) opposition, especially PASOK, which was the only party which had shown a growing interest in developing, and experimenting with particular policies for local government (Kaler-Christofilopoulou 1989). More generally, the increased presence of professionals in party organizations has in itself been a significant pressure for the parties to rationalize the public sector. In particular, the combined influence of local government as a traditional stronghold of 'progressive political movements' in post-war Greece, and the ideologies and policies of the European left of the 1970s on a group of PASOK professionals, generated the party/professional cooperation for decentralization. Evidently, the interest in local government displayed by professional organizations can be accounted for by two parallel and interrelated processes: the growing dependence and influence of parties in opposition on professional organizations and local governments alike and the rise of professionals within party hierarchies.

THE PROFESSIONALS WITHIN THE STATE APPARATUS

It has been argued that in most major policy areas the basic influence and lobbying for or against change and reform are 'internal to government itself' (Laffin 1986, p. 1). If so, then the influence of professionals on policy change can be exercised through their presence either as civil servants, or as political appointees in the organ of the state responsible for the initiation, formulation and implementation of the relevant policy. The presence of professionals in organs of the Greek state has been increasing. This trend started in the early post-dictatorship period with the recruitment in large numbers of engineers as 'technobureaucrats', in the newly founded Ministry of Regional Planning, Housing and the Environment and the Regional Development Bureau of the Ministry of Coordination (later named Ministry of National Economy). These innovations were a consequence of the initial effort of the first New Democracy governments to modernize and rationalize the state. At the time, some of the pressures for modernization and reform of local government sprang from a technocratic organization of the public sector: the Centre for Planning and Economic Research, the government's 'think tank' on matters of planning and economic policy. A study by this centre of local government

recommended an increase in the income of local authorities in the form of a grant amounting to 8 per cent of the budget; a proposal which became a key slogan in local politics. More important, however, were the centre's proposals in the 1977–80 Plan for a move towards: 'the gradual deconcentration of the state apparatus' as a way to increase its 'effectiveness'. There was a timid reference to the creation of a top tier of local government 'in the framework of the Constitution', and the suggestion of a structural reorganization and a financial reform that would enable the transfer of competences to local government (Kaler-Christofilopoulou 1989). However, the limited role of specialist advisers in New Democracy's ministerial cabinets, and the government's reliance on traditional bureaucratic mechanisms for the preservation of state power, meant that there would be no significant rise of professionals to prominent positions or to bold, path-breaking reforms in local government.

When PASOK became the government, a lot of professionals moved into organs of the state as councillors and special advisers in ministerial cabinets, the Office of the Prime Minister, or as directors of quasi-governmental organizations. The need of the new socialist government to control and at the same time be less dependent on bureaucratic organizations, combined with the increased influence of the technocrats within PASOK (Spourdalakis 1988), largely determined this increased presence of professionals in the state apparatus. However, professionals were not the only kind of political appointees who followed PASOK's ministers into the halls of central power. A number of devoted party activists were also appointed. To the tensions between permanent officials and political appointees (Tsekos 1986) were added the tensions between party activists and professional experts. The former were often guided by a narrow-minded adherence to party interests, while the latter usually promoted rationalizing programmes of reform, often irrespective of the closely defined, short-term interests of the party. They resented the intrusions of non-specialists into their fields of knowledge and expertise. In the case of ministers with a technocratic and reformist profile, professionals had the upper hand in the formulation of policy. In sharp contrast, the old style (*palaiokommatikoí*) ministers relied on trusted political friends and the odd bureaucrats who were loyal to the government. Ministers who had prominent and powerful positions within the party hierarchy, such as the members of the Executive Bureau, usually could not ignore party councillors and had to maintain their connections with the organization.

Decision making· was a closed process. The initial formulation of policies was often the product of the struggles and tensions between bureaucrat, party and technocrat within each ministry. There was also an interministerial dimension to policy making. Both professional and party councillors sought the support of their colleagues in the other ministries. An interministerial network of communication among professionals was often used to cross cut the formal and time-consuming bureaucratic procedures for communication.

The Ministry of the Interior, where the majority of decentralization policies were formulated, exemplifies this characterization of the policy process. For example, two active members of the Technical Chamber of Greece (one of whom had chaired

its Committee for Local Government), became councillors to the first PASOK Minister of the Interior, who was an engineer himself. The influence of these 'technocrats' in the decentralization policies was significant. First, professionals played a dominant role in the formulation process which consisted mainly of law-making. Evidently, the policy guidelines were given by the minister, while his councillors sought additional ideas and material from abroad and designed the particular character of the new institutions. Most of the new local institutions created by the decentralization laws were innovations inspired by the Municipal Programme of PASOK, the studies of the Technical Chamber of Greece, and by institutions of other South-European countries such as those of Italy and France which had comparable administrative systems (Flogaitis 1987). The bureaucracy's role was to ensure that the new institutions were in harmony with the existing constitutional and administrative order. At times, bureaucrats were unable even to understand law projects drafted by professional councillors, as with the case of the regulations on the levels and processes of 'Democratic Planning' which were initially incomprehensible to the officials of both competent ministries (Kaler-Christofilopoulou 1989).

Second, the professionals formed interministerial linkages with colleagues in other ministries and quasi-governmental organizations which supported their promotion of reform policies onto the agenda of the government. These initiatives and contacts proved especially useful during the second PASOK government, when the initial enthusiasm for reform and the overall orientation of PASOK to wide institutional changes, was progressively diminishing as the party's dependence on the state increased. For example, in 1987, realizing that the pressures from local govern-ment for increased funds would only get worse, and being aware of the anachronistic, regressive and inefficient nature of the system of municipal finance (Tatsos 1988), professionals within the Economic Office of the Prime Minister, in cooperation with an engineer-councillor of the Minister of the Interior, sought to create an interministerial committee for local government reform. Reform proposals were generated which enabled the government to negotiate with the Central Association of Local Authorities in Greece. Some of the committee's basic proposals were rejected due to a (probably false) estimation of their political costs. The proposals that were accepted, however, put into place the foundations for the rationalization and 'declientelization' of the grant distribution system. Indisputably this initiative was the brain child of professional advisers, not the ministers, although environmental conditions such as local government protest and fiscal stress were also important. Moreover, the influence of professionals on the reform of municipal finances is also an important example of analysis in policy making, a process previously limited or non-existent in Greece.

Furthermore, professional councillors and specialist advisers in the Ministry of the Interior tried to provide general support to municipalities, something that the bureaucracy was unable to perform. In cooperation with the prefectures, frequent trips around the country were organized to spread information on the new institutions. Training activities for municipal executives, councillors and personnel were organized. The councillors of the ministry collaborated mostly with local

political appointees and professionals whose presence in the other levels of government and administration had also increased, and on whom the new institutions relied for support. For example, representatives of the Technical Chamber of Greece participated in the prefectoral councils, adding a taste of rationality to their character as institutions of popular representation. Similarly, the advisers of prefects, the prefects themselves and a significant number of elected representatives in local government are also professional political personnel. However, the organizational environment of Greek public administration, and specifically its inappropriate and underqualified staff, rigid structures and legalistic routine procedures heavily constrained the promotion of decentralization. Such initiatives met with outright hostility and delays by bureaucrats threatened by the expertise and the plans for rationalization of the professionals.

The implementation delays and the impossibility of radical changes either in the central ministries and the prefectures or in the bureaucracies of the larger municipalities (Kaler-Christofilopoulou 1989) created accumulating problems and constrained the actions of professionals. Realizing these limitations, professional elites in the state apparatus strove for alternative solutions. The inherent contradictions between bureaucratic processes and professional efforts for reformism of the state and local government led to a search for ways to bypass the ineffective state bureaucracy and its counterparts at the municipal level.

FRAGMENTATION AND ORGANIZATIONAL DIVERSITY

Greek public administration has been characterized by organizational fragmentation and the appearance of new types of organizations in policy areas which require specialized knowledge and skills as well as a considerable degree of work autonomy. A contradiction has arisen between the need to adapt to new technological and organizational principles and functions (Katsoulis 1988) and the parochialism of the bureaucracy, whose dominant rules have remained unchallenged. In the case of decentralization this trend, stimulated mostly by professionals and especially engineers, has been increasingly clear at municipal, prefectoral and central state levels.

Municipal Enterprises and Development Companies: an organizational bypass

The management of water and waste water.   The creation of alternative organizational frameworks for the provision of local services and/or the creation of infrastructures was first attempted for the management of water and waste water. The reforms of the administration of water and waste water services were imposed because of a lack of infrastructure, the poor quality of services, and the requirements of international organizations for effective administrative structures before providing funds to the Greek government. The massive urbanization of the 1960s and 1970s was not accompanied by the construction of the necessary infrastructure even for basic services like water provision and waste water handling and treatment. By the mid-1970s only 27.3 per cent of the population had proper sewage and just 35.5 per cent had adequate water provision (EETAA 1986). The two services were

planned and administered separately. Moreover, several ministries were responsible for the design, construction and monitoring of water and sewerage works. Single-function agencies ran and maintained the plants in urban centres while local authorities retained the responsibility for the same services in the smaller towns and villages. The majority of municipalities outside metropolitan areas were unable financially and organizationally to construct and maintain water treatment plants and water and sewage networks. There were problems with the four QCAs (Quasi Governmental Agencies) in the Athens and Thessaloniki areas, and a number of environmental problems arose from lack of treatment of waste water and industrial wastes.

There was a great shortage of funds as the 6 billion dr. *per annum* given by the Ministry of Coordination was a small fraction compared to the estimated 120 billion *per annum* needed to cover the total costs for proper networks in the whole country. The conditions for borrowing laid down by the European Investment Bank for the provision of loans for water and waste water plants boiled down to the requirement of a suitable institution to implement the programme. Under this pressure to obtain funds, laws for the reorganization of water were drafted and passed by Parliament in great secrecy and at speed by a New Democracy government in 1980. In the metropolitan areas of Athens and Thessaloniki the four pre-existing single issue agencies for water and waste water (two in each metropolis) were merged into two double-purpose agencies. For towns of more than ten thousand inhabitants, responsibility for the construction, maintenance and running of water and waste water purification plants was delegated from the municipalities to especially created enterprises, called Municipal Enterprises of Water and Waste Water. These enterprises are controlled by local authorities and managed by boards elected by their councils. In the smaller towns and villages these services continue to be provided by the municipalities or their syndicates.

The aim of this policy was to create more flexible organizations able to manage the services more effectively than the local government organizations themselves. The failure of municipal bureaucracies to meet international standards led to the creation of special municipal enterprises for water and waste water.

Local government entrepreneurship.   From 1954, Greek municipal law allowed the foundation of non-profit-making municipal enterprises to provide local goods and services. In 1980, the new municipal Code allowed municipal enterprises to make profits for the first time. In 1984, the legal framework of municipal enter-prises was significantly updated and enlarged. Different categories of municipal enterprises were introduced: 'pure' municipal or intermunicipal enterprises owned entirely by one or more municipality, municipal-cooperative enterprises jointly owned by municipalities and cooperatives and 'popular base' companies in which a small percentage of the shares could be owned by private citizens. This PASOK reform emphasized the new role of local government in local development and made municipal enterprises possible recipients of state investment incentives. Tax exemptions were introduced. Conditions for the foundation and management of

municipal enterprises were improved by the abolition of many bureaucratic controls and the introduction of flexible private management rules. This legislation, and the relevant administrative measures for municipal enterprises, was produced by the 'local government experts'; i.e. the engineer-councillors to the Minister of the Interior in 1984.

Municipal enterprises were thus designed to become the organizational tools for the intervention of local authorities in the process of local development. However, they were increasingly used to by-pass the local bureaucracies. Municipal functions that require specialized staff and effective and flexible administrations, such as housing, cultural and social services, could be run more efficiently by municipal enterprises than by the local government organizations. While the official policy of central government was to stimulate entrepreneurial initiatives by municipalities, the incentives introduced in 1982 for municipal enterprises deliberately included most of the municipal functions. Exercising their competences through local government enterprises was a convenient solution for municipal councils and executives. They could thereby avoid rigid regulations and procedures and employ the requisite specialized staff. Not surprisingly, the great majority of municipal enterprises are concerned with the provision of municipal services and only a few have developed entrepreneurial initiatives in the primary or secondary sectors of the economy. Table 1 shows the total number of municipal enterprises. Municipal Enterprises of Water and Waste Water are not included because they operate under special legislation and regulations which makes them resemble public enterprises more than municipal enterprise.

TABLE 1   Municipal enterprises by sector of activity

Sector of entrepreneurial activity	No. of enterprises
Tourism*	48
Culture*	27
Agriculture	22
Manufacture	20
Mining	15
Construction*	14
Parking	8
Municipal markets*	6
Refectories	6
Commerce	5
Energy	3
Industrial parks*	2
Housing*	1
Other	10
Total	187

* The activities with an asterisk correspond to municipal functions.
Source: EETAA, 'Katalogos Demotikon Epichiriseon' (List of Municipal Enterprises), Department of Municipal Enterprises, 1988.

There are 40 enterprises (21 per cent) in the primary sector, 34 in the secondary sector (18 per cent) and 113 (60 per cent) in the tertiary sector. It is interesting to note that the entrepreneurial initiatives of local authorities resemble in miniature the Greek economy, with a weak manufacturing sector and a large tertiary sector. Furthermore, 104 (55 per cent) of the enterprises provide municipal functions.

The creation of municipal enterprises for the exercise of municipal functions has thus been used as a way of avoiding the rigidities and irrationalities of local administration, especially by the larger municipalities. However, this policy has generated a number of changes in the structure and function of local governments. Instead of consisting of one organization, the municipalities have become networks of interlinked organizations at the core of which is the *demos* itself. This network consists not only of municipal enterprises, but also of municipal public law entities which exercise local government functions, such as public libraries, cultural centres, and care centres for the aged.

The interorganizational environment of municipal government and administration of local affairs is thus considerably more complex than before the introduction of municipal enterprises. This set-up undoubtedly facilitates local government action, and allows administrative flexibility and discretion to the 'street level' professionals employed in social and cultural centres or in municipal construction and housing enterprises. However, the factorization of local problems may easily lead to the fragmentation and diffusion of political responsibility for their management in the boards of the different municipal organizations. In the case of enterprises, the only link with the municipality is the participation of municipal councillors on their boards. Municipal councillors often complain that they are unable to exercise political control over the activities and operations of municipal enterprises. Moreover, as municipal enterprises are free to hire and fire staff, there is a great difference in the quality between the staff employed in enterprises and the municipal officials. Additionally, the parochial organizational environment of municipalities in comparison to that of municipal enterprises leads to what has currently been termed as local governments of 'two speeds'. In turn, these inequalities have produced latent and overt rivalries between the personnel of the municipalities and their enterprises. Nonetheless, the creation of more flexible organizations outside municipalities has facilitated the exercise of the new functions.

The policy for municipal enterprises has not, of course, been entirely determined by the need to by-pass the local bureaucracies. Municipal enterprises have also served as a means of devolving responsibility for local development from the state, in a period of economic crisis. Moreover, municipal enterprises, especially those which intervene in the sphere of the private economy, can be very functional for state interests: they tend to encourage mayors and councillors to create financial resources instead of asking for state grants. The extensive use of enterprises for the exercise of municipal functions has been stimulated, however, by the professionals within PASOK and the government to by-pass the rigid and anachronistic environment of local administrations.

The creation of new types of organization has been essential to the developmental

initiatives of municipalities. The emphasis on the role of local government in development led to the creation, not only of municipal and intermunicipal enterprises, but also of development companies at the local or prefectoral level. Seven development companies had been created by 1989. Three are at a level between local authorities and prefectures, two correspond to a whole *nomos*, one covers an area formed from parts of different *nomoi* and one corresponds to a region. This last category of regional development companies has been a policy of the Ministry of the Interior since 1988. Understanding that the regions as units of deconcentrated state services between two well-rooted and developed levels of the state would face acute problems in such tasks as planning and regional development, and given the low absorption of funds from relevant EC programmes, the policy of the government was to promote the creation of development companies in the 13 regions. Before the general elections of 1989, however, only one such company had been created due to serious political and administrative implementation problems.

Additionally, policies for intermunicipal cooperation and the creation of corresponding institutional and organizational forms, such as intermunicipal enterprises and development syndicates, have been introduced as solutions to the problem of communal fragmentation, especially because policies for a reorganization based on mergers have faced tremendous implementation difficulties. Realizing that developmental syndicates would face hostility from municipalities, the professional councillors in the Ministry of the Interior wanted to allow the syndicates to form their own enterprises to implement their development programmes. However, this solution was strenuously opposed by directors in the Ministry of the Interior as unconstitutional. Finally, since 1989, development syndicates have been allowed to participate in companies and enterprises.

To conclude, the processes of fragmentation of local government by the creation of municipal enterprises and other organizations, has led to the increased complexity of local policy processes which are now the product of relations between local authorities, the municipal and intermunicipal enterprise companies, the development syndicates and the state organizations. The creation of new types of organizations is a response to new functions and the developmental role of the state and local government. It has been fuelled by the organizational inefficiencies of traditional local and prefectoral bureaucracies as well as by the problem of communal fragmentation. The trend was promoted and accelerated by the initiatives of professionals within the state apparatus at different stages of the policy process.

The Hellenic Agency for Local Government and Local Development. A 'consultant' at the centre

The increasing awareness that the state bureaucracy imposed constraints on the implementation of decentralization reforms, led the professionals inside the Ministry of the Interior to search for alternative organizational solutions at the central level. After long and tedious hours of discussion, an engineer councillor of the Minister of the Interior persuaded him to create, in April 1985, the 'Hellenic Agency for Local Development and Local Government' by special legislation. The agency,

which operates as a 'societé anonyme', has three categories of shareholders: the Greek State with 44 per cent of the shares, the Central Association of Local Authorities in Greece and ten Local Associations holding 45 per cent of the shares, and the so-called social sector shareholders 'represented' by a number of cooperatives and the indispensable Technical Chamber of Greece with 11 per cent of the shares. The goal of the agency is the 'scientific and technical support' of organizations, syndicates, enterprises and associations of local government. Its legal form as a private sector company allows for flexibility.

The agency began with a small core group of young enthusiastic professionals with engineers in a majority, and a flexible organizational structure with an emphasis on horizontal communication. The pursuit of a common cause (i.e. decentralization) has acted as a collective ideological incentive for its personnel, which together with the material incentives of relatively high salaries by public sector standards, has led to a remarkable growth in personnel, activities and importance in a period of three years. The production of research, the organization of training programmes and the provision of consultancy services are the basic activities of the agency and they are directly related to the implementation of the local government reforms. Moreover, the agency has provided consultancy and general support for the Ministry of the Interior, the Ministry of National Economy and the associations of local authorities on issues related to decentralization.

The agency gradually developed 'power-dependence relations' (Rhodes 1986) with organizations of central and local government. The increasing power of this new organization stems from its knowledge and expertise, together with its significant flexibility and adaptability compared to the rest of the Greek public sector. Moreover, the ability of the agency to win funds from the different EC programmes is an additional source of influence. The Ministries of the Interior and National Economy are often dependent on the agency for its support in the implementation of their own EC-funded programmes. In the agency's budget, a sum of 267,045 thousand drs., almost half of its total expenditure totalling 651,332 thousand drachmas, was provided by the EC (EETAA 1989).

The dependence of local authorities on this agency to support their new institutions is substantial. It is this increased demand for the agency's services that has fostered its growth. In turn, the agency is dependent first on the ministries and the Central Association of Local Authorities, which hold a significant portion of its share capital and contribute to the financing of its activities by annual grants, and second on the local authorities, enterprises, and associations which are the primary recipients of its services. Supporting the initiatives of local authorities has given the Hellenic Agency for Local Government and Local Development considerable esteem and influence in the world of local government.

Despite a significant level of activity, it was evident from the beginning of the agency's operation that this single organization could not provide sufficient support to 6,000 local authorities, their enterprises, associations, and syndicates. The creation of communication links for the exchange of resources with the local authorities, their enterprises and their associations, a fundamental policy of the agency, has been of strategic importance for the development of its power. It has been able to intervene

in the recruitment of staff in a number of local government institutions, to influence their activities and to establish direct relations with the organizations of local government, their enterprises and associations. The training activities of the agency provide the framework for this strategy. Young professionals (mostly engineers and economists, but also sociologists and lawyers) recruited by the agency and trained as 'agents of development', staff the offices of the associations in each *nomos*, and provide general support for the new institutions in their areas. Similar programmes were planned for the professional staff of developmental syndicates, for managers of municipal enterprises and municipal radios. During these programmes, the trainees are educated in the virtues of decentralization and given skills and knowledge relevant to their future jobs (Maistros *et al.* 1988).

From its inception, the Hellenic Agency for Local Government and Local Development has primarily sought to support the new organizational forms of local government and the associations. The lack of pre-existing structures and vested interests gave the agency the ability to intervene and influence their organizational development in a more direct way. By creating and staffing 'Bureaux for Planning and Development' in local associations and syndicates of communes, the agency pursued a policy of organizational by-passes. It sought to create a new type of personnel and activities, not only in the new institutions, but also in the institutions of local political representation, the local associations.

The agency has been crucially important to the process of decentralization and to the evolution of central-local relations in Greece. The existence and activity of this organization is not *per se* an indication of decentralization but of fragmentation (Rhodes 1986, p. 18–19) which can be attributed to the organizational and technological imperatives (Dunleavy 1984, p. 60) within the Greek state. None the less, the influence of the agency on the process of decentralization was substantial from 1986 onwards, in a period when the initial decentralist impetus of PASOK had petered out, and decentralization was being criticized for producing a multitude of empty institutions. As far as central-local relations are concerned, the agency has broken the monopoly of communication between the state and the local authorities held by the central ministries and the prefectures. It has created alternative networks of relations based on its technological and organizational superiority over the organizations in the traditional public sector. In consequence, local authorities became less dependent on governmental line bureaucracies, especially for initiatives related to functions or enterprises requiring specialized skills. The traditional Ministry/Prefecture/Local Government pattern of inter-organizational relations has changed (see figure 2).

However, these new 'technocratic' relations between the agency, the municipalities and their associations have not changed the power of top level bureaucrats to set the rules of the game, i.e. to control the procedures for the creation, operation and funding of local authorities and their different organizations. Undeniably, the activities of the Hellenic Agency for Local Government and Local Development have broken the monopoly of the ministries and prefectures (and especially the Ministry of the Interior) in relations with municipalities and strengthened the human and technical resources of local government.

FIGURE 2   *Intergovernmental relations in contemporary Greece*

CONCLUSIONS

Profesionals, and especially engineers, have played a significant role in the initiation, formulation and implementation of party and government policies of local government reform in Greece during the 1970s and 1980s. Professionals have elaborated, processed and often initiated public policies which reformed the existing local government structures, and introduced new institutions and new types of organizations at the different levels of government and administration. Alternative intergovernmental relations based on the exchange of know-how and expertise have developed. They supplement the traditional administrative and party political links between central and local government. Fragmentation and organizational diversity at all levels of government and administration have been promoted by the initiatives of elite professionals frustrated by the traditional structures and processes of the state apparatus.

In general, the professionalization of public policy is a growing trend in post-dictatorship Greece, fostered by the increased appearance of professional elites at the summits of party organizations, the growing interdependence between parties and professional organizations and the consequent increased appearance of professionals in the state apparatus as political appointees and specialist advisers. This trend has been fostered by the need of the state to adapt to changing technical, organizational and economic conditions in the international environment. It generates stresses and strains with the political, administrative forces within the state, favouring the preservation of the existing administrative structures, regulations and rules.

Professionals have indeed acted as agents of reform within the Greek state. The inability of the traditional administrative system, fed and bound by clientelist politics, to meet new challenges and imperatives coming from its external environment has produced its gradual fragmentation and promoted organizational diversity. Professionals have acted as catalysts within the state and have increasingly staffed the new organizations where conditions are favourable to work autonomy, specialized knowledge and policy innovation.

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RESTRUCTURING GOVERNMENT NEW ZEALAND STYLE

ENID WISTRICH

The fourth Labour government (1984–90) has carried out a radical restructuring of executive government comparable to corresponding reforms in Britain. The changes described have been carried out in government departments, state-owned enterprises, the civil service, minister/civil servant relationships, regional and local government, and in the organization of the health and education services. The reforms follow a consistent blueprint based on ideas of economists and public choice theorists, especially those relating to agency theory and transaction costs. The themes of the New Zealand blueprint are 'decoupling' policy from service delivery, a principal/agent model of managerial decentralization, new financial accounting systems, contracting for service provision and monitoring managerial performance. In implementation, where there are elected authorities but government is the main funding agent, there is uncertainty about the degree of discretion and appropriate accountabilities. Implementation has also illustrated the problems of defining desired outputs and outcomes and in making them useable by professional workers and elected representatives.

The reorganization of the public sector in New Zealand has been one of a number of similar changes taking place in European and English-speaking countries in the 1980s. A first distinctive feature of these reforms has been the transformation of state-owned organizations in the industrial and commercial spheres into viable or profit-seeking enterprises, the privatization of many such organizations and the liberalization and deregulation of the market framework within which they work. Renewed belief in the market as the best determinant of allocative efficiency has been the spur to the changes. A second phase in the reforms has been the reorganization of the public sector services, including the departments and agencies of central government, local government, and quasi-autonomous agencies used to deliver services, with varying effects on the official career services. In this set of moves, the objectives have been to inject as much as possible of a market environment into the services by creating competitive conditions, enhancing consumer choice, and introducing measures to produce greater cost efficiency.

The supportive ideology has been public choice theories which posit the self-seeking nature of bureaucracies and their desire to increase their budgets, the

Enid Wistrich is Reader in Public Sector Management at Middlesex Polytechnic.

distortion to budget allocations created by strong producer lobbies influencing bureaucrats and politicians, and the desire of the latter to purchase electoral approval by conceding to producer and consumer group demands. The tools of analysis have been those of economists.

New Zealand's reforms from 1984–90 have taken place in this general movement. They have been as radical as any in the western world in opening the economy to international competition. The brief for the first round of reforms was set out in the Treasury report 'Economic Management' of 1984 which set out a programme for full liberalization of the economy. It was implemented by a Labour government which came into office in that year.

The first phase included the reform of state-owned enterprises into commercially operated public corporations under the State-Owned Enterprises Act of 1986. It transformed commercial functions hitherto carried out by government departments and state agencies responsible directly to ministers into fully commercial organizations. Henceforth they were to operate within a competitively neutral environment, were charged with the objective of making profits, have to borrow at market rates, pay taxes and dividends and buy their assets from government at a market valuation. Their managers are responsible for staffing and pricing decisions. The role of ministers was clearly defined as establishing objectives and monitoring performance against them as part of their accountability to Parliament. Non-profitable services have to be separately defined and paid for by the government (Boston 1987; Deane 1989).

Labour's second three-year term of office moved into the reform of government organization. The issues, rationale and broad programme are clearly articulated in the second major Treasury report 'Government Management: brief to the incoming Government' of 1987. It is also backed by several articles explaining the sources and rationale of the ideas written by the Secretary to the Treasury and his associates (Scott and Gorringe 1989; Bushnell and Scott 1988; Scott, Bushnell and Sallee 1990; and see also Chapman 1989 and Deane 1990). Proposals for the reform of the broader constitutional and political framework are set out in an academic treatise by the Prime Minister of 1989–90 written when he was a Professor of Constitutional Law (Palmer 1987).

Several features of this process are of interest in the British context. One is the intellectually rigorous approach of the New Zealand Treasury and the way it was able to secure acceptance of its ideas by leading ministers of a Labour government. The Treasury in New Zealand has always been the élite government department. The Wellington 'village' was extended by ties of kinship and past experience to ministers, leading officials and the universities. The Labour party, historically representative of urban and industrial interests, experienced in the 1970s an influx in numbers and influence of business, professional and academic members who came to positions of power. Seven out of ten Cabinet ministers in 1987 had been university teachers for a period, and a key figure in the economic reforms, Roger Douglas, was an accountant and business man. A Treasury official seconded to the then Labour Opposition under the established policy since 1975 of providing the opposition party with official advice was influential in moving the views of

Roger Douglas, the Minister-designate of Finance, and consequently of party policy, to a neo-liberal market approach by 1984 (Oliver 1989; Wistrich 1991).

A second feature of the Treasury blueprint for reform set out in 'Government Management' is the openness, or 'transparency' of Treasury presentation resulting from the influence of the Freedom of Information Act (1982) and its extension in 1987. A key event is the way the Treasury moved beyond its normal brief of economic advice and management to that of model builder for the entire government machine. It became a 'think tank' for the neo-liberal movement, leading from its position of intellectual leadership in government and using its authority as the top government department to influence the political leaders and secure the implementation of its blueprint.

THE BRIEF – 'GOVERNMENT MANAGEMENT'

The report on 'Government Management' starts with a chapter on theoretical foundations including 'a theory of the state'. The role of the state is said to be 'in the context of scarcity and interdependence... to enforce rights or relations between individuals' and 'as a monopolist of coercive powers, that ultimately specifies and enforces property relations or rights, [it] is central to the effective operating of markets.' The objectives and criteria for government making social choices are efficiency, equity, liberty and societal norms or morals. Of the instruments of government, taxes are seen as coercive, leading to a vicious cycle of less work, underinvestment and further tax increases. Regulation is said to be a poor means for achieving equity objectives, and tax benefit systems are preferred. Government 'ownership' or tax-financed services are reckoned to be 'inherently limited in efficiency' with 'a serious loss in terms of output foregone'. Moreover, government policy making may be 'captured' by lobbies or by the government bureaucracy, and central planning is subject to 'bounded rationality' and is weak on information gathering and costs. Therefore while objectives must be clarified, 'noble and clear objectives are not all that is needed for a government to perform well. It also requires a clear understanding of the nature and effects of its policy instruments, the limitation of central control, and the appropriate levels of government involvement'. Both objectives and means should be clarified and made 'transparent'. The most efficient use should be made of information, and the accountability of government agents to the minister and the public should be enhanced. Both policy advice and service delivery should be 'contestable', either externally or internally. Individuals should be given incentives to improve their performance.

Translated into a brief for core public sector reform, the report recommended that
— executive agencies should be run by directors or chief executives appointed by ministers, with a limited tenure of office
— directors should act as employers, free from central control over wages and personnel policies
— government funding should specify intended outputs, input controls should be relaxed and there should be full cost attribution
— performance assessment should be carried out by explicit procedures involving ministers and possibly a central agency

— there should be improved reporting to government and Parliament
— policy advice should be separated from product delivery
— central control functions should be residual.

The principle is therefore one of devolution of service delivery to agencies not closely under ministerial control. It has been described as the 'decoupling' of performance from policy making (Roberts 1987). The idea of the executive agency is supported by study of the theory of agency problems in firms. Scott and Gorringe (1989) describe the problem as 'getting agents such as managers and employees to pursue the interests of their principals in such organisations', and look in particular at the position of officials as agents of the bureaucracy. The need to make government departments more 'efficient and responsive' requires changes in the relationship of ministers and department heads or chief executives, with greater powers for the latter. Much emphasis is put on distinguishing between inputs, where control should not be detailed, outputs of services which should be defined for departmental achievement, and outcomes or the success outputs achieve in contributing to wider social goals. Output should be clearly specified and measurable, and be within the performance goals of chief executives who should also have greater control over inputs as part of their management role. Contractual agreements between ministers and chief executives should specify inputs and outputs, and both 'rewards and penalties' for chief executives. Politicians should have responsibility for specifying goals and 'outcomes' and deciding what outputs should be bought to achieve them.

The economists' approach also requires changes in financial management systems. These are specified as the improvement of output measurement, the introduction of accrual accounting (which reflects all resources rather than cash flows), improved financial reporting for accountability and a change in the mode of appropriation from cash to cost or profit centres as appropriate for different departments. Finally, the literature on 'rent seeking' by interest groups in public choice theory is called on to recommend countermeasures such as increased transparency, the separation of policy from regulatory functions and the centralization of policy advice.

Two further strands of economic thinking are referred to by another important actor in this reorganization, Roderick Deane, formerly Chair of the State Services Commission and Chief Executive of the Electricity Corporation (Deane 1989). One is the importance of transaction costs and the role of the market in aggregating information which determines them. The other is the question of property rights and the right of owners to decide on the use of resources. Property rights exercised in conjunction with information on transaction costs are said to promote efficient use of resources. As they are most efficiently exercised through private ownership, it is necessary to build in as many commercial incentives as possible into the public sector, to clarify objectives, improve accountability and decentralize decision making.

The principles set out for New Zealand core government thus draw on the business management model. The use of the terms 'devolution' (or 'decentralization') and 'accountability' refer to the activities of an organization or enterprise, where the units or agencies have the functions devolved to them and are accountable to

central management for the achievement of specified goals. It is a model of 'top down' control. These definitions are not concerned with the notions of devolution and accountability used in political theories. In particular they minimize the question of direct accountability of government agencies to the electorate and the public, the devolution of functions to local agencies which have their own electorates, and the 'bottom up' view of policy determination. The New Zealand Treasury approach seeks to accommodate the political responsibility of government by separating objectives and 'outcomes', for which ministers are responsible, from 'output' for which chief executives are responsible. But in so doing, it does not address the problems of distinguishing between the two and the pressures in political life to influence outputs. Discussion on political devolution to elected authorities is very lukewarm. *Government Management* says that

> In many cases the local electorate typically appears to exhibit weak interest in the prudent use of resources by elected managers...so long as the finance for the expenditure is not raised locally by the local body, so long as the source of the body's ultimate control does not lie with the body itself but with the centre, the electorate is likely to exhibit less interest in holding the locally elected members to account.

Contractual arrangements are therefore preferred for efficiency as they can be directly monitored, and there is an ambivalence about the use of elected authorities (for example, local authorities and the elected health boards) other than in the context of principal and agents. The emphasis throughout the reorganization is on securing the efficient management of services through the introduction of appropriate systems which are designed to insulate managers from political intervention, while setting them politically determined objectives, and establishing reporting procedures within the framework of open government.

In setting up separate executive agencies, the proposals also move away from the idea of a coordinated government service to one of disaggregation of units. The unified civil service is fragmented by allowing separate departmental recruitment, enhancing the separation. The policy coordinating link is set at cabinet level, exercised through ministers and cabinet with its committees. Within the government machine, while financial control is centralized through the Treasury, policy is in theory left to the departments or policy advisory bodies.

'IMPLEMENTING THE BLUEPRINT'

The next stage is to consider how this blueprint has been implemented. First, with regard to the state-owned enterprises (SOEs): nine were established in 1987, followed by several more in 1988. All were separated off from former government departments, and were set up as limited liability companies with the duty to operate commercially and achieve profitability. They can raise their own capital and expand their activities with government consent. Their performance is monitored by reviews of longer-term strategy, annual operating plans and quarterly results by both the Treasury and independent analysts. The results of the SOEs are said to have been successful. However the government quite quickly moved

to announce a privatization programme for 1989 and 1990 of 16 of its commercial enterprises including one SOE and several important wholly or partly government-owned companies. The motives here appear to be as much the reduction of public debt and preference for the market as the potential difficulties of monitoring SOE performance and the risks to the Crown of diversification of successful enterprises (Scott, Bushnell and Sallee 1990). The enterprises kept in the public sector, whether as SOEs or government-owned companies, are those held to contribute to the government's economic and social policies or where continued ownership is in the interest of taxpayers.

CENTRAL GOVERNMENT

The main changes in central government are set out in the State Sector Act (1988) and Public Finance Act (1989). The State Sector Act places the responsibility for recruiting and appointing staff on the head of each department and allows them to negotiate pay and conditions of work directly with unions and staff. The role of the State Services Commission (SSC), which had hitherto been the employer of all staff and had negotiated pay with the unions, is now restricted to advice and assistance in the negotiations. The Act did however retain a role for the State Services Commission in selecting and recommending the appointment of the chief executives of departments to ministers on contracts of up to five years. The SSC is their employer. It assists in the negotiation of the terms of their contracts, and the review of their performance. (Since 1990 these functions have been carried out by two state service commissioners). The commission has a role in the develop-ment of a senior executive service of officers who are employed on contracts and are intended as a single service available for the management of any department. In addition it is charged with developing good personnel policies for the entire state sector. The focus of staff recruitment and management is otherwise shifted firmly to the departments, and the chief executive becomes the employer.

The SSC monitors the performance of departments for fulfilment of objectives and good management and prepares and reviews the annual performance agree-ments for chief executives. These are intended to be negotiated between the minister as principal and the chief executive as agent, and to specify the outputs which the latter should produce. Some of the agreements which have appeared (not all chief executives have them) are linked to the department's corporate plan, but others have been short, generalized statements which contribute little to the understanding or review of the chief executive's work and it is difficult to see how they can be used for monitoring purposes. Problems of monitoring are multiplied when chief executives report to more than one minister (Boston 1989).

Indeed the question of the respective roles and relationship between chief executive and minister is a complex one. The firm intention is to divide policy decisions, the setting of objectives and the review of 'outcomes' – the minister's role – from responsibility for the production of 'outputs' – the chief executive's role – which is seen as an apolitical process. The way in which 'output' is delivered may however be intensely 'political' in its methods and effects. Since all circum-stances cannot be foreseen and planned for in advance, the chief executive must both

develop political sensitivity and be prepared to respond to the consequences of his or her actions. This puts the minister into the position of either giving up an important political role, or taking over responsibility from the chief executive. Chief executives will be expected to report to Parliament on the work of their departments. But the scope of their political accountability may be hard to define, as the line has to be drawn between what is the chief executive's and what is the minister's business. And the effort to determine the 'output' in a measurable non-political way may be as sterile an exercise as attempting to draw the line between 'policy' and 'administration'. In theory, the minister as principal can hold the chief executive as agent to account if the 'outcome' of the latter's work is accounted as faulty, while the chief executive takes the blame for outputs. An actual example of the ambiguities occurred in relation to schools when parents and school governors attacked budget allocations made to them, on a television forum in October 1989 (Frontline 1989). Both minister and chief executive were present sitting next to each other. The latter claimed responsibility and moved to defend his actions on the allocations. The minister defended the total of public monies allocated but was silent on individual allocations. The traditional role of political responsibility was thus divided into two, and the audience was visibly dissatisfied. Policy consideration and advice in the new system are intended to be carried out by new small ministries separated from the large executive agencies. It is not clear how this new type of service will operate. The New Zealand public service has no administrative class and as the departments and agencies will now recruit separately, careers will be pursued within each department. The prospect of able young policy makers moving around the service will not exist unless and until they join the Senior Executive Service. Expertise may therefore develop within sector areas, but the idea of general statecraft which has been an integral part of the British civil service will have less chance to form.

The Public Finance Act (1989) is the second major piece of legislation which locks the new system into place. It is concerned with the framework of financial management and how it enables reporting and accountability to take place. Going back to the Treasury's economic analysis, the systems are based on the ideas of agency relationships and of property rights. The Crown is seen as having two separate interests in the departments. The first is as a principal where it is interested in the purchase of outputs. The second is as property owner where it is concerned with the efficient use of assets. To monitor both these interests, new accounting systems are required. The Act requires the departments to move by 1991 from the current practice of cash outlays to one of two specified modes. The first, mode B, is intended for departments supplying services which are not 'contestable' (for example policy agencies and defence). It introduces accrual accounting which is intended to promote better decisions on the use of capital. The costs financed relate to output produced, and trading receipts may be retained. The second, mode C, is intended for departments which are engaged in more contestable and commercial operations. In addition to accrual accounting, the departments are required to pay interest on capital, dividends and taxes. The department will not be able to borrow money, except through the Crown, or to invest outside its own department but it

will have an established capital structure. Mode C is seen as a half-way house between the fully commercial accounting systems of the state-owned enterprise and the traditional service delivery departments.

The reporting systems introduced under the Act are extensive. Monthly financial and cash flow statements go to the minister and the Minister of Finance. Annual department reports now include both a financial and an operating statement and there are half yearly statements. The accounting of Crown assets and liabilities is a new practice for monitoring the best use of assets and for comparative purposes. The accounts are scrutinized by the Audit Office and are open to parliamentary examination.

There is little doubt that the combination of new systems – annual corporate plans, performance agreements plus financial and asset accounting – will act as a stimulus to improved appraisal of government plans and actual achievements. The new systems encourage a radical review of public sector activities and more precise assessment of what is achieved. Whether the impetus to scrutinize carefully will be maintained is one question that may be asked. Once the first flush of enthusiasm is past, older habits of inertia could arise. Perpetual revolutionary zeal is hard to sustain. Many questions may also be asked about the measurability of outputs in different areas of government activity, and how they relate to outcomes. To take a familiar example, the outcome of greater civil harmony is hard to measure and even harder is how such harmony may relate to the outputs of police activity, improved housing and education, social facilities or the recognition and promotion of civil and ethnic rights. The questions are worth asking but the answers to them are intensely 'political', dependent on current policy thinking and the government in power.

SUBNATIONAL GOVERNMENT

The extension of the Treasury model to agencies and services outside the central departments was part of its comprehensive view. New Zealand government in a country of 267 sq.km but only 3.2 million people, has been comparatively centralized and the idea of principal and agent did not present difficulties. The application of the ideas contained in 'Government Management' however varied because in the decentralized services there were competing models and policy ideas. These surfaced either through existing channels, or in the work of the commissions set up by the government to look at their reform. They provided a countervailing force to the principal and agent model. The professional groups, discounted under public choice theory, were not as effectively marginalized as the Treasury intended and in some instances were effective in influencing future policies.

The chief thrust in the government's reforms in these areas has been the creation of new management structures and accounting systems with functions and powers a less important consideration.

LOCAL GOVERNMENT

It was widely acknowledged in New Zealand that local government structures were in need of reform. There had developed a patchwork and complicated structure

of over 800 separate territorial and *ad hoc* councils of local government dealing with diverse functions, from multi-purpose city authorities to *ad hoc* catchment, drainage and pest destruction boards in the rural areas and harbour boards for the ports. Attempts to amalgamate, rationalize and reduce the number by a process of discussion and consent had predictably failed. The last effort at reform in 1976 resulted in the setting up of a further tier of 22 indirectly elected United Councils in an attempt to meet the demand for authorities capable of planning on a regional basis. Under the Local Government Amendment Act of 1988, the Local Government Commission was given powers to initiate a reorganization, backed by government executive powers, and removing the ability of existing councils under earlier legislation to object and block reforms. It also had powers to determine the boundaries of the new authorities.

The result has been the establishment by 1989 of a new structure, reducing the number of multi-purpose authorities from 219 to 74 (14 cities and 60 districts) and introducing 14 regional directly elected councils to take over the powers and responsibilities of the United Councils and about 400 *ad hoc* authorities dealing largely with land and resource management. The government approach has been one of rationalization. The reduction in the number of elected authorities makes the system more coherent and enables central government agencies to monitor the authorities' work more easily and effectively. Thus the reforms require the local authorities to prepare annual plans, to outline measurable outputs, undertake accrual accounting and to review and report on their work. The financial management systems are monitored by the Government Audit Office, and parallel the approach adopted for all government activity.

Little change is made to the functions of the 'territorial' city and district councils or to the sources of revenue finance. The major local government activities are those which affect property – from refuse collection to road maintenance and planning development – and the chief revenue resource is the local property rate. Social welfare services and education are not run by local authorities and there is no power to levy rates for general purposes. Grants from central government are very few.

The 14 new Regional Councils under the Ministry for the Environment were accompanied by a major review of resource management and a reform of the law. A far reaching report (Ministry for the Environment 1988) set out the matters to be considered and the areas of concern from water, soil, coastal and geothermal to minerals and energy management. Maori involvement and reference to the Treaty of Waitangi were emphasized. The update for legislative proposals (Ministry for the Environment 1989) outlined a 'tiered' system of management plans, with national policy statements and overview and a stronger role for Regional Councils. The retention by district councils of their land use planning powers was to be accompanied by a system of 'integrated' consents for different activities for different levels. The proposals bristled with plans, which were to be made at national, regional and district level. The new Bill had not completed its parliamentary process by the end of the Parliament in October 1990 but was passed with some amendment in October 1991. Nevertheless the Regional Councils were elected in 1989 and had produced their first plans in 1990.

The overall picture is one of a government laying the foundations of a rational structure of elected authorities with a capacity for action within defined boundaries and a system which is intended to be both self-regulating and nationally accountable. Only once the thrust of this reorganization was determined, did the more habitual consultation process take place (McClay 1989). In the new area of substantive interest, the proposed new resource management measures, the government retained the initiative and capability for basic policy determination, within which the new Regional Councils could plan for their areas.

EDUCATION

Reform of education in schools provides an interesting example of how two sets of aims, two models and different groups interacted to produce a hybrid result and some confusion in implementation.

An expert commission largely of educationists produced the Picot report of 1988 on 'Administering for Excellence'. The report laid down four objectives for schools: choice, cultural sensitivity, decentralized and competent management. National goals and objectives should be balanced by self-governing elected boards of trustees representing a partnership between teachers and the parents. Each board would produce a local charter of aims to which it would work. Education boards should go but service centres would remain to supply services to schools. Funding for each school would come directly from the ministry, and boards of trustees would manage their own budgets. A Parent Advocacy Council would assist groups of parents to set up programmes not available within local schools and negotiate for state funding. The government's response 'Tomorrow's Schools' (1988) largely accepted the Picot report. The new boards of trustees were set up in 1989 and the Education Act passed just in time for the trustees to assume their new powers.

The reforms thus introduced the Picot aims of equity in the treatment of all children, parental choice and concern for local community needs and preferences. Government funding would be used to benefit disadvantaged groups and areas and the charters would express the differences between local communities. It was hoped that the new system would help to meet the aspirations of the Maori community. Schools would be locally managed by boards with elected parents predominant, and the principal was the 'professional' leader. From the government's viewpoint, the proposal also fitted into its agency model with its principles of local management, funded by central government, operating within national objectives and reviewed in performance by a national office (the Education Review Office). The direct connection between parents and schools could be said to accentuate 'customer choice' and, in theory, reduced the influence of professionals. The abolition of education boards removed an unwelcome bureaucratic tier and education service centres could be made to work within the principle of 'contestability'. But essentially there was scope for confusion in the accountability of schools both to their boards of trustees and to government.

The implementation of the proposals started. After initial misgivings, parents did put themselves forward for election to the boards of trustees in adequate numbers and only two schools could not get enough trustees (Picot 1989). There was greater

representation than before of women and Maori but not of low income groups. Secondary schools had already been running their own affairs, but budgeting was new for primary schools. The two big new changes were the innovation of the charters and their compact between schools and communities, and the boards' ability to appoint and dismiss teachers without education board approval. The charters had to be prepared after consultations with the local community. No guidelines for consultation were set out and the methods varied from single public meetings to opinion surveys. Charters prepared then had to be approved by the local education offices. The charters had to operate within national policy and guidelines and to include a compulsory section, with discretionary statements intended to meet local needs and wishes. In practice they have tended to outline religious and cultural needs, and to specify extra-curricular objectives for school activities. It also appears that the compulsory element in the charters set out by government is predominant, thus marginalizing the local sections (Ozga 1990).

Six months after the introduction of the reforms, a government team which reviewed the implementation process found widespread support for the concepts of the reform but 'increased central bureaucratic control, increased burdensome administrative tasks, inadequate resources and support for institutions, and inadequate attention to educational outcomes' (Ministry of Education 1990). The review was critical of school principals who identified as professional leaders rather than managers, and boards of trustees who did not understand their role, were 'unskilled in personnel management', and lacked clear educational objectives. To overcome these problems, the report recommended a stiff dose of training in management skills for principals, and in industrial relations and equal opportunities for trustees. It also urged 'a clarification of the relative roles of the boards of trustees and principals within schools. . . the need for the boards of trustees to be concerned with matters of governance and for principals to have delegated authority to manage'. To help schools distinguish between outputs and outcomes, the review team put its trust on a new methodology group to be set up in the Education Review Office to develop an appropriate methodology for educational review which could then be communicated to schools. This should cover both the four key output areas of education, personnel, property and finance and the broader issues of equity and Treaty of Waitangi (Maori) matters and community consultation. Finally the report recommended a redirection of funding from the Education Review Office to the schools. The review team's findings confirmed a host of reports of difficulties experienced. Trustees dismissing staff, principals uninterested in financial management, conflicts between teachers and trustees, and schools deluged by circulars of government advice were among them. The Education Review Office budget had greatly increased compared to the cost of the former school inspector system, and service centres were criticized as unsatisfactory and expensive. The budget allocations to some schools were said to be grossly inadequate leaving grave shortfalls.

Many of these problems of implementation were predictable. Principals who prefer their role as professional leaders, parent representatives who do not know an output from an outcome, and adopt an untutored approach to hiring and firing

of staff were to have been anticipated. It is a measure of the haste of the legislation that training needs were not met before new powers and functions were assumed. Sophisticated management prescriptions were put forward without care and consideration for the people who were asked to operate them and it appears without careful definition. But, true to its overriding belief in correct methodologies and management systems, the ministry report recommended more and closer application of them. It also appears that scope for discretion by boards in relation to their charters is more circumscribed than was first intended. It remains to be seen whether the initial goodwill with which schools set out to institute the reforms they saw as contributing to equity goals and educational progress can be sustained. The alternative could be declining parental interest, and growing reassertion of government control in half-hearted alliance with an alienated profession.

HEALTH

New Zealand has had a national health service since 1935. Hospital treatment has been provided free by hospitals which were run by elected hospital boards. General practice and drug prescriptions were originally free but the state treatment fees paid to doctors have progressively diminished, so that the patient now pays about 80 per cent of the cost of consultations. Accident Compensation, introduced in 1972, has grown into a costly system distorting payments into claims for treatment following many types of injury or illness. The introduction of enabling legislation in 1983 providing for elected area health boards was intended to shift the emphasis from hospital provision to overall assessment of public health needs and the co-ordination of provision by the public, private and voluntary sectors. The boards were to take over the work of the District Health Offices and were charged with making plans for service development as well as running public services. The minister could delegate functions to them, direct them and, in the final analysis, dismiss the board members. The 1983 Act was not implemented until 1988, after a further review by the new Labour government had taken place.

The incoming Labour government set up its own commission to look into hospital and related health services. The Gibbs report of 1988, given the general outlook of the times, predictably identified 'the main problem in New Zealand hospitals is poor management'. It recommended a structure which retained the government as main funder and provider but separated the two functions to allow the health service authorities to choose among different providers in a system of modified competition. The ministry was to retain solely the function of policy advice. Funding would go from a National Health Commission to six elected regional health authorities who would purchase public funded services from public, private and voluntary providers. The area health boards would be service providers, competing for contracts from the regional health authorities, on the basis of outputs and price. The boards would include individual health services such as nursing but not general practitioners who would be directly funded by the commission. Environmental health matters would become the concern of local authorities as District Health Offices would be abolished.

The Gibbs report was supported by the New Zealand Medical Association

(Cordwell 1989) but it was not accepted by the government. Instead, the 1983 Act was implemented in 1988. The ministry became the policy setter and funding agency. Regional authorities were not set up. Area health boards were charged with health promotion and the planning of services in their areas. They are expected to draw up five-year strategic plans which assess health needs and to show how these are to be met. The plans include service development plans and projected capital expenditure. The boards also prepare annual operating plans for service provision and then negotiate contracts with the ministry to provide funding for them. The contracts include an obligation to report on their performance in specified key areas. Thus the boards remain as main providers of health services as well as health planners and the basic division postulated by the Gibbs report for the separation of funders and providers has not taken place. It is left to the boards to decide whether they wish to buy in services from private hospitals as well as their own publicly funded ones, and how they divide funds between health promotion and health service provision objectives. This decision to keep funding and public service provision within one authority is surprising in a government pledged to greater contestability.

The area health board organization is a complex one. The board members are elected but may include additional members appointed by the minister. Many are health service professional workers. The boards appoint Health Service Unit Councils based on geographical sub-divisions to set local priorities and contract for services within their areas. They appoint community health committees of local people which are intended to provide links to local communities, either for localities, social groups (for example Maori) or on specific issues, and are able to monitor services. Other component units or councils may also be set up. For example, one area health board has sponsored a Health Consumer Service Trust of independent trustees, to monitor services and investigate complaints, a health development unit responsible for public health nurses, health education and other primary health care, service development groups of professional workers, and standing committees of experts on individual issues such as child health and policy initiatives (Garlick 1989).

The accountability of the boards is not clear. The government considers that they are responsible to the ministry for the use of public monies and for carrying out the national objectives of the New Zealand Health Charter (1990). On the other hand, they clearly have accountability to those who elected them and possibly also to local communities through the community health committees they have appointed. This system of dual accountability makes for complexity and confusion. Clear directions set in the National Charter and allocation of funding by the ministry for the objectives they determine suggest that the boards will have limited discretion. Moreover, the medical profession regards strong ministry control as a safeguard against the activities of lay boards which may be regarded as incompetent. The Treasury view has certainly been against elected boards as an impairment of its principal agent relationship (Bushnell 1989), but they are nevertheless a part of the 1983 Act. It will be interesting to see what degree of autonomy the boards build and how effective are their links with their local communities.

CONCLUSIONS

The reforms in New Zealand government between 1987 and 1990 were the result of the application of a blueprint based on public choice theory and the management relationship of principal and agent to the entire government structure. They posit a divorce of policy making and strategic control from operational management. Policy objectives are set out by ministers who are accountable to Parliament and the politicians are allotted the role of monitoring policy 'outcomes' or the achievement of objectives. Central government ministries are intended to have small numbers of civil servants concerned with policy advice and monitoring. Second, the reforms give priority to the idea of accountable management to be achieved by the application of agency theory. Operational management is set in the business management model of separate executive agencies, each headed by a chief executive working on contract tenure and with the power to employ staff. Chief executives are responsible for delivering 'outputs' of service as efficiently as possible. This agency model is applied to both central and subnational agencies of government and is accompanied by the stipulation of annual plans, new financial management systems and regular monitoring of output. The reforms stress the importance of 'contestability' and the introduction of the market as far as possible into public sector operations.

The New Zealand reforms are comparable to those carried out in the UK in a number of respects. Industrial and commercial enterprise is withdrawn from central government and either privatized or placed under the control of corporations working to commercial objectives, unless others are agreed. The model chosen is similar, but not identical, to the British public corporation, and it will be interesting to monitor whether the pitfalls of ministerial intervention identified in Britain will be avoided in New Zealand.

In executive government, the move is away from direct delivery of services to a function of control agencies (Dunleavy 1989). However, the emphasis in New Zealand is away from direct central control to regulation through established self-governing systems. The reforms aim at a divorce of policy advice and service delivery by devolving delivery to executive agencies. They parallel the introduction in Britain of executive agencies under the 'Next Steps' initiative of 1988, and extended by 1990 to 34 agencies (Treasury and Civil Service Committee 1990). But the New Zealand approach has been a universal one, setting up agencies unless there is held to be good reason not to, while in Britain a more pragmatic and piecemeal approach has identified blocks of work suitable for transfer to agencies. In New Zealand central government, new universal management systems were introduced in two major Acts, while in Britain they have evolved more gradually via innovations like the MINIS approach and the Financial Management Initiative. The major important difference has been the treatment of the civil service. The New Zealand reforms have broken the concept of a single service by allowing separate recruitment and management at department and agency level of all but a small Senior Executive Service. The chief executives become the employers. The British civil service however remains intact with central recruitment and universal

conditions of service, with some relatively minor variations introduced on incentives, grading and bonus payments.

In subnational government there are also interesting parallels, but equally striking differences. The reforms of local government in New Zealand are concerned to establish a universal system of multi-purpose authorities, fewer in number than previously, and capable of running their affairs efficiently within government reporting parameters. The comparison here is closest to the 1963 and 1972 reforms in England when authorities were rationalized and reduced in number. In the 1980s however British reforms have led to some fragmentation of local government, with single purpose non-elected authorities and joint boards introduced to perform certain functions previously carried out by local authorities. The setting up of a system of elected regional authorities for natural resource management is an innovation of interest and importance in New Zealand. It has no parallel in Britain where the management of natural resources is divided between government departments, Inspectorates, local authorities, statutory agencies, and the National Rivers Authority and newly privatized water companies. Proposals to remove the second tier of local authorities may further reduce the capacity for natural resource and environmental management.

In education, the reforms in Britain giving greater powers to school governors follow the practice in New Zealand of school self-management in financial affairs. The New Zealand reforms have further decentralized the system to school level by giving school boards the power to hire and fire their staff and to determine their curricula provided certain 'core' national objectives are met. Moreover, they are expected to establish charters or compacts with their local communities. All schools receive their funding directly from central government, albeit in a much smaller country. The British reforms retain education authorities, do not allow schools to hire and fire staff independently, but require them to manage budgets. The institution of a national curriculum and system of assessment for pupils does not emphasize locally determined aims, but stresses national norms.

In health, the British reforms are largely similar to the 1988 Gibbs report proposals for New Zealand which were not implemented there. The NHS now requires separation of purchasers and providers of service, and provides for funding through regional and district health authorities. But there is no provision in Britain for elected health boards. The New Zealand reform provides for elected authorities funded by central government, requires them to determine objectives, and allows them to both purchase and provide services. It introduces community health committees, but these, unlike their British counterparts the community health councils, have no independent statutory status. There is no 'trust' status for hospitals to opt out of health boards in New Zealand.

The New Zealand reforms in subnational elected government highlight the difficulties of implementing the centralized principal/agent management model. First, there is the extent to which it is possible to set objectives and monitor the work of a large number of area-based agencies from the centre. Secondly, there is the confusion and conflict between the objectives and accountability of boards to their electorates and to their funders (central government). Third, there is the

question of the proper role of professional workers and managers in influencing policy objectives, allocating resources and delivering services. As a thesis for testing, the proposition may be put that the further the government function moves from a national service with clearly defined operations responsible directly only to one democratic source (a minister and Parliament) and employing managers and administrators rather than professionals, the more difficulties arise with the principal/agent model of the control and contracting agency.

NOTE
The author wishes to thank the many people in New Zealand who agreed to provide information and views on the reforms. These include public officials in central and local government, the education and health services in Wellington and Hamilton; officers of representative interest groups in both towns: and members of the academic staff at Victoria University, Wellington and the University of Waikato.

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REVIEWS

DEMOCRACY, BUREAUCRACY AND PUBLIC CHOICE

Patrick Dunleavy
Harvester/Wheatsheaf. 1991. 286pp. £10.95 (paper)

At times it appears as if the dissemination of knowledge in the social sciences is inversely related to the available channels of communication. The last two decades have witnessed an extraordinary growth in the number of books and academic journals in political science and in the other social sciences. But consider this. In 1970 Brian Barry published *Sociologists, Economists and Democracy*, an important monograph which alerted political scientists to the potential value of rational choice models. Within a few years most political scientists claimed to know at least something about both Downsian models of party competition and the collective action problem. But for most of them interest in the public choice approach rarely went beyond the literature to which books like Barry's had drawn attention. Thus, in 1991 Dunleavy is quite correct in claiming:

> . . .it is still very common outside the United States for political scientists who do not themselves use public choice methodology to dismiss it as of marginal interest for the discipline as a whole. Even in the US the prominence of public choice in leading political science journals is based on a fairly small group of authors and studies (p. 3).

Undoubtedly, the avalanche of published research confronting political scientists today contributes to the failure of mainstream political science to take much notice of the potential explanatory value of public choice models. But by no means is this the whole story. Much of the research by public choice theorists seems so far removed from the study of political institutions that its relevance seems doubtful. Moreover, too often public choice theorists display all the zeal of seventeenth century religious sects: for its adherents it provides *the* way to a true understanding of social phenomena.

It is against such backgrounds that striking parallels between Dunleavy's book and Barry's earlier work can be appreciated. Both are clearly written analyses; both provide important insights into the explanatory value of rational choice models; and in neither case is the author a propagandist for the public choice 'sect'. There are interesting parallels too in the content of the two books. Barry's account of economic theories of democracy focuses on Downs and Olson–Riker's *Theory of Political Conditions* is summarily dismissed without discussion. Similarly, Dunleavy devotes two of his nine chapters to 'Downsian' issues of voting and a further two chapters to interest groups; coalition theory is discussed only briefly. Nevertheless, as one might expect given the twenty year interval between them, the two books are very different – the different thrust to Dunleavy's reflecting developments in the discipline. Whereas about half of Barry's relatively short book could be devoted to the sociological approach to politics, Dunleavy analyses theories of interest groups and of party competition in much greater depth than did Barry. Moerover, three of Dunleavy's chapters are devoted to public choice models of bureaucracy – Niskanen's pathbreaking and provocative work on the subject having been published the year after *Sociologists, Economists and Democracy*.

Democracy, Bureaucracy and Public Choice is a book that can be recommended strongly to both students and colleagues. It is particularly useful if read in conjunction with Iain McLean's *Public Choice*. However, I must admit to having some reservations about Dunleavy's book. His strategy is to focus on 'soft' public choice – excluding 'hard' public choice theory, because it provides insights into only isolated aspects of decision making. While I happen to agree that public choice advocates often claim far too much for it, Dunleavy dismisses the general explanatory claims of game theory, for example, far too quickly. Moreover, his coverage of 'soft' public choice theories is uneven – I have already noted the limited space devoted to coalition theory. I believe that part of the problem here is that many of the chapters had their origin in articles published in academic journals, and I have a strong impression that this book represents an uneasy compromise between a monograph and a collection of separate essays on related topics. In passing, I would add that it is unfortunate also that the book's first reference – to Tsebelis's much publicized *Nested Games* – should misprint so horribly that author's name; this conveys an impression of carelessness which is not warranted.

In general, though, Dunleavy's book is successful – most especially, perhaps, in demonstrating that rational choice analysis is not necessarily linked to the theories and political agenda of the New Right.

Alan Ware
Worcester College, Oxford

ADMINISTRATIVE REFORM COMES OF AGE

Gerald E. Caiden
Walter de Gruyter, 1991. 347pp. $44.95. DM.88.00

In *Administrative Reform Comes of Age* Caiden draws detailed lessons from the past thirty years of administrative reform in the First, Second and Third Worlds. Reforms are placed in the broad political and international contexts of the Cold War, international development assistance, and revolution in the Eastern bloc. The historical experience from which generalizations about administrative reform can be generated is broadened to include the pre-modern bureaucratic empires, the transformation of absolute monarchy into responsible government, and the emergence of the newly independent states of the Third World. The assumption is that administrative reform is needed everywhere, that it will always bring benefits if done properly and that countries doing well *despite* poor administrative performance (e.g. Italy) would always do better if their administrations were reformed. It is not recognized that when reform is part of a restructuring of state and society there are always interests which benefit and those which lose. The closest admission of this is the recognition that 'the administrative state has helped to double the average expectancy of life, eradicate preventable diseases, diminish hunger, sickness, ignorance and poverty, and generally given hope to the underprivileged in society' (p. 93).

Caiden probably over-estimates the importance attached to administrative reform by its protagonists and its association with the betterment of mankind. It is highly unlikely that 'When people tire of reform, they tire of life' (p. 315). Consequently he runs the risk of placing too much responsibility on public administration for protest in the Eastern Bloc, the slow pace of Third World development, and the poor economic performance of the industrialized democracies. It may be true that 'much in the contemporary world depended on the performance of public organization, administration and management for administrative reform not to be given a higher priority on political agendas' (p. 3), but it is not as much as this book often implies. Part of the problem is that Caiden is himself a crusader for administrative reform (or at least that is how he comes over here). Part is that a

sufficiently clear distinction between administrative reform and policy change is not drawn. The Cultural Revolution and *perestroika* were, after all, about rather more than administrative reform. It is one thing to say that the bureaucracy has become a 'dead hand'. It is another thing to say that the role of government is too extensive.

The book describes how disillusion with the prescriptions of the reformers in the 1960s for state intervention, bureaucratic organization, the Westminster model, centralized planning, public enterprise and workers' self-management eventually led to managerialism after the private sector had secured a better image for itself than the public. Trends towards privatization, contracting out, debureaucratization, reorganization and the 'value for money' approach are outlined. Prescriptively there are lessons about the fundamental decisions that have to be taken by reformers (timing, priorities, involvement, and procedures) and the reform instruments available for mobilizing support as well as for implementation. Twelve common pitfalls in the implementation of reform are detailed to help guard against failure. There are surveys of administrative reforms in the Soviet Union, China, the UK, USA, Australia, New Zealand, Japan and different regions of the Third World. The needs of the international public sector and the military for reform are recognized, and the further potential for accountability, debureaucratization, administrative democratization and restoring the morale of public servants considered.

While the book could have been better organized (it tends to jump about from topic to topic and back again, e.g. on managerialism and the institutionalization of reform efforts) its great strength is the way in which reforms are set in their broad contexts of national and international developments that encompass all regions of the world. This is a considerable scholarly achievement. As a manual for administrative reformers it is indispensable.

Brian Smith
University of Dundee

EDINBURGH ESSAYS IN PUBLIC LAW

W. Finnie, C. Himsworth and N. Walker (eds.)
Edinburgh University Press, 1991. 380pp. Price not known

This collection of seventeen essays on a range of subjects within the general scope of public law is by way of a tribute to Professor A. W. Bradley, who held the Chair of Constitutional Law at the University of Edinburgh for twenty-one years before taking early retirement in 1989 to embark on a career at the public law bar in London.

In effect the book is something of a miscellany, although an attempt has been made to introduce a degree of shape to it by dividing the subjects into four heads, Constitutional and Legal Theory, Institutions, Rights and Administrative Law. For an English reader the Scottish aspects of the collection are perhaps the most striking and fruitful, providing not only valuable information about the Scots system but incidentally some very perceptive insights into the English system. For example Lord Clyde's paper discusses the 'supervisory jurisdiction' in Scotland, which manages to embrace both 'public' and 'private' exercises of power without the necessity to distinguish sharply between the two as English law now seeks to do.

Professor Bradley's contribution is an excellent review of the cases in which the United Kingdom government has been brought before the European Court of Human Rights in Strasbourg charged with breaches of the provisions of the Convention. The article looks at the success rate of cases, the volume and subject matter as well as the actual cases. It is a most useful source of information and analysis. He concludes that

there is a great deal in the procedures and decisions of the Strasbourg system that can enrich our understanding of constitutional and administrative law, provide a stimulus for reforms that may be needed in our national system of public law, and guard against these branches of legal study in the United Kingdom falling into insularity or a tired complacency.

For those whose primary interest is in public administration rather than public law M. Adler provides an essay on 'Justice, Discretion and Poverty: A Reappraisal', in which he compares procedural and substantive justice in the operation of the social security system and notes the importance of moving away from concentration on procedural issues towards focusing on fairness as something that should be intrinsic to the administrative process. He suggests that the implementation of social security policy is best understood as a compromise between bureaucratic, professional and legal systems, and should not be judged only by one set of criteria, such as those of the legal system.

For me the most important essay is T. Daintith's 'Political Programmes and the Content of Constitutions'. The title is not very helpful: the essay is about the need for a new type of constitutional writing which seeks not simply to 'map' the workings of the system, which does not assume that 'if it works, it's constitutional' or 'the constitution is what happens', as Professor John Griffith and others have done in much of the literature on the constitution in recent decades. Nor is Daintith content to stop at identifying minutely the rules and conventions that operate, for example, when a Prime Minister has to be chosen from a hung Parliament, which is what scholars such as Rodney Brazier do very well. Daintith calls for a new type of constitutional writing to enable us to judge – as we should – programmes like that of Thatcherism in constitutional terms. This involves seeking the coherent structure of constitutional obligation which he clearly hopes is implicit in the system. Examples of sources include the Treasury's rule book and the epitome of the reports of the Comptroller and Auditor General and the Public Accounts Committee, which together articulate an aspect of the constitutional principle of parliamentary supremacy – the requirement of legislative consent to public expenditure.

Daintith also cites the Justice-All Souls Review of Administrative Justice (1988) and some of the Ombudsmen's reports as containing the sort of normative material that he wants, but he would like to see this approach extended. Exploration of the fundamental principles that are implicit in the rules and conventions of the existing constitution may well reveal that it is more or less democratic or effective than is known and give ammunition to those campaigning for or against reform – another important kind of normative writing about the constitution.

Dawn Oliver
University College, London

CRITICISM AND PUBLIC RATIONALITY: PROFESSIONAL RIGIDITY AND THE SEARCH FOR CARING GOVERNMENT

Strathclyde Regional Council was established in 1975 and, since the abolition of the Greater London Council, is the biggest local authority in Europe. Because it serves half the population of Scotland there is, of course, an immediate doubt about the extent to which it can be regarded as a *local* authority at all. Certainly, as the reform of Scottish government, with the prospect of a parliament in Edinburgh and a reorganized local government system, moves up the agenda, it will have to work hard to justify its continued existence and to defend its achievements over the last sixteen years.

In doing so, there is little doubt that it will emphasize the capacity for innovation and redistribution that is a consequence of its large scale. It is likely that its 'Social Strategy', which attempted to target resources on Strathclyde's many areas of multiple deprivation, will be deployed as an example of that capacity in action.

Smart's book is, I think, about some of the ways of assessing the success or failure of that ambitious, locally determined, social action programme. The apparent uncertainty in the previous sentence arises from the fact that although the book is intellectually rigorous, and epistemologically ambitious, it is unlikely to be easily accessible to those who make decisions about public policy. Smart's approach relies heavily on applying various theories of knowledge and social and philosophical constructs – the names of Hegel, Kant, Kuhn and the Frankfurt School appear frequently – to the 'key texts' of the social strategy. These texts are, on the one hand, policy documents prepared by professionals and managers and, on the other, interviews conducted by the author with key political actors. Not surprisingly, perspectives differ and Smart seeks to use these differences to explain the difficulties that arose in the implementation of the social strategy.

The book is challenging and is clearly the product of extensive fieldwork and wide reading. It is, however, rather dated, with a tendency to see the key management issues that arise in local government from the uneasy relationship between professionals and politicians from a viewpoint which does not appreciate the rapid changes of the last five years or so. Roles and relationship are being redefined very quickly in today's public sector. I doubt whether this search for the 'deep structure' of the policy process will assist members and officers to cope constructively with the reality of change.

Alan Alexander
University of Strathclyde

LOCAL GOVERNMENT IN EUROPE: TRENDS AND DEVELOPMENTS

Richard Batley and Gerry Stoker (eds.)
Macmillan, 1991. 239pp. £35.00 (cloth) £10.99 (paper)

There is a joke going around Brussels at the moment to the effect that the European Community could either build on the distinctive strengths of each of the 12 member states, or could end up reinforcing all their different weaknesses. We could aim for a European Community which combines the gastronomic skills of the French with the engineering skills of the Germans, the administrative competence of the British, the romantic gifts of the Italians, the humour of the Irish, the tolerance of the Dutch, and so on. Or we could end up with a European Community which combines the cooking skills of the British, with the plumbing skills of the French, the romantic gifts of the Germans, the administrative competence of the Irish, the humour of the Dutch, the patience of the Italians, and so on.

Batley and Stoker's collection of essays on *Local Government in Europe* is a timely reminder that similar possibilities and risks exist in the field of local government. Their book is an indication of the great diversity which exists between European countries in their specific and various histories, systems and processes of local government, but also of some common trends which are emerging in several different countries. Clearly, there are many positive lessons to be learned from the different traditions and experiences in various European countries, but there are also warnings for the future to be read from that diversity.

Local Government in Europe does not claim to be a comprehensive cross-national comparison of local government systems, but rather a discussion of current trends and developments in Western European countries. It concentrates on three main themes: (1) the changing status of local government in respect of its powers and relationship with other levels of government; (2) changes in the organization of local service delivery;

(3) developments in the political management of local government and the future of local democracy. The core of the book is a series of chapters which address these themes in relation to trends in specific countries – Germany, France, Italy, Holland, Portugal, Spain, Ireland, Sweden, Denmark, Norway and the UK. However, the liveliest insights come from the four chapters by Richard Batley, Richard Blair, Alan Norton and Gerry Stoker, which attempt a synoptic overview and cross-national comparison.

The book highlights the ways in which a common language of reform (concerned with accessibility, responsiveness, choice and efficiency) is emerging in many different European countries, though the means of tackling these issues varies considerably from country to country.

Overall, what struck me most forcibly from reading the book was the extent to which local government in the UK is out on a limb compared with the majority of other countries in Europe. The UK stands out first for the small number of its local authorities and the large size and population which they cover (e.g. 365 local authorities in England with an average population of 127,000, compared with over 8,000 authorities in Germany and Italy, with an average population of around 7,000. The average population size of British local authorities is four times that of the Swedish which are the next largest in Western Europe.).

Even more significantly the ratio of councillors to citizens in England and Wales (1:1,800) is much smaller than the average for the rest of Europe (between 1:250 and 1:450).

The *ultra vires* rule which governs the expenditure and activities of UK local authorities restricts their range of involvement and their opportunity for flexible responses to new issues, compared with the power of general competence which applies to most other local government systems in Europe.

Perhaps as a result of these structural differences and their lack of constitutional status, local authorities in the UK are increasingly treated (and behaving?) much more as agencies to plan, distribute and deliver services, than in terms of their role in the political process, representing and reconciling the interests of the local community.

Certainly the trend in many other European countries runs counter to that in the UK, in tackling questions of quality, cost and effectiveness through a strengthening of the political and participative role of local government and a decentralization of powers and resources, rather than by marketization and centralization of control.

Local Government in Europe is a stimulating and thought-provoking book, well produced and attractively presented by the publishers, which adds to the incentive to read it rather than just buy it and shelve it for future use. It does not explicitly tackle the implications for local government of the increasing role of Europe's thirteenth state, the European Commission and Parliament, but it suggests that there are many alternative and exciting ways forward for local government in the more integrated Europe of the 1990s.

John Benington
Warwick University

STATE RESTRUCTURING AND LOCAL POWER – A COMPARATIVE PERSPECTIVE

C. Pickvance and E. Preteceille (eds.)
Pinter, 1990. 229pp. £37.50

Pickvance and Preteceille's collection of essays is an interesting one and makes an important contribution to the continuing development of the literature on comparative local government and politics.

Based on a session held at the ISA World Congress of Sociology in New Delhi in 1986,

the collection contains more than the usual share of good contributions. The central theme of the book concerns the relationship between the kind of macro changes of an economic, social and political kind with which we are all increasingly familiar, and the extent to which localities are able to exert some influence over their destinies. Seeking the kind of theoretical framework which can link these two problematics together is a question with which previous authors have grappled and largely failed to find a solution. The value of this book lies not only in the excellent individual contributions which make up the collection, but also in the attempt at developing such a framework undertaken in the concluding chapter by the editors.

Most of the contributors are sociologists, many of them well known in their fields. Each chapter has a general introduction presenting a broad description of the structure and organization of local government in the country under review, after which the authors explore the themes which they see of interest in terms of recent developments in central-local relations and the nature of local power. Thus there are valuable contributions by Norman and Susan Fainstein on economic development policy in the United States under Regan; by Edmond Preteceille on French decentralization, and an excellent piece on Denmark by Jens Tonboe. Chris Pickvance contributes an interesting analysis of the British case, interesting as much for the twist he gives to the usual interpretations of central-local relations during the Thatcher years as for any new insights he presents. Hamel and Jalbert contribute a piece on Canada, useful for its confirmation of the generally weak position of local government in that country and for the English version of the situation in Quebec. Hartmut Hausserman's essay on West Germany provides insights into the experience of another federal country, interesting for its discussion of urban development and of expenditure cutbacks – and for the suggestion that local power has rarely been radical in post-war West Germany. The book is completed by an introduction and conclusion, each written by the editors.

It is the latter contribution which will prove of most interest to those concerned with the comparative analysis of local government and politics, and particularly with trying to understand how localities can cope with processes of economic globalization and specialization, social segregation, and national government's attempt to restructure local government systems. In tackling this problem, the authors are very much aware of the importance of local cultural factors and of local discretion in permitting individual localities to react to these macro processes in an individual way. By exploring convergence theory – i.e. that there is a tendency for all countries to become the same in terms of their patterns of central-local relations – and by examining what might be called models of 'national specificity' which stress specific historical and cultural features, and by attempting to analyse trends in their six countries according to particular issues, the authors are able to show that the concepts of centralization and decentralization are multi-dimensional; that countries do not all move in the same direction, and that fundamental and persistent differences continue over time. In conclusion the authors suggest that the six countries fall into three polar types, the continued existence of which depends essentially on micro-level political and cultural factors.

What is important about this contribution – hardly done justice here – is not so much that one necessarily agrees with it, but that the effort points the way forward for further comparative analysis. At a time when many of us are seeking ways by which we can learn from the experience of others, Preteceille and Pickvance not only highlight some of the dangers in attempting to learn such lessons, but also provide us with a possible framework within which to make such analyses. When there are also other excellent contributions to draw on as well, the book represents something of real interest – though its price will condemn it to libraries and aficionados alike. Which is a pity, since the book deserves a wider audience.

Michael Goldsmith
University of Salford

GOVERNING BIG CITIES: THE MANAGEMENT OF DECENTRALIZATION

Graham Bush

Department of Politics, Victoria University of Wellington, Occasional Publications No. 2. 261pp. £13.00 (paper)

Urbanization, writes the author of this book, has mankind by throat. By the year 2000 the world's urban population will be equal to the entire world population in 1965. In 1950 there were 78 cities with a population of a million or more; by 2000 the figure will be over 400, and rising exponentially to reach a figure of 640 in 2025. One of the book's central contentions is that decentralization of city government will be an essential tool of politicians and administrators in their attempts to come to grips with the immense and contradictory demands which urban growth creates.

The book is not concerned with the decentralization of powers from central or regional government to city levels of government (central-local decentralization), but only with administrative and political decentralization at the sub-municipal level. In other words, it deals with half a problem, not because the other half is unimportant (on the contrary) but simply because even this half-problem is more than enough to be going on with.

The book starts off with some general theoretical discussion of definitions and theories, claims and counter-claims, but this takes up relatively few pages before it launches into an attempt to assess the experience of some twenty city governments in nine western nations. The purpose of the work is not theoretical or conceptual, but pragmatic, focusing on implementation, strategies, procedures, and problems. It is based primarily on interviews with officials and politicians in the twenty cities, and on a reading of a great deal of (English language) literature.

The practicalities of decentralization are discussed in four substantial chapters: the area principle in elected member arrangements; administrative deconcentration and area management; political decentralization and participation; and what might be termed partnership between various local interests, public and private, producers and consumers, neighbourhoods and cities, voluntary and statutory bodies.

The author is duly cautious and reserves judgement in his conclusion. Recognizing that the claims of decentralization have sometimes been greatly exaggerated by some of its exponents, he argues for more time and more experimentation. He believes that 'The danger of replacing a monolithic Town Hall with an impenetrable labyrinth of decentralized services is not to be airily dismissed' (p. 211). And he warns that the danger of distributing gatekeepers of resources, and not the resources themselves, can easily lead to the compounding and protection of privileges.

Though the study is enormously rich in case study material and ideas, it is also somewhat confusing and muddling in its organization and presentation. When the going gets really tough and there is urgent and compelling need for conceptual and theoretical clarity, the author tends to supply a series of lists of questions, topics for consideration, organizing themes – more than two dozen in the first fifty pages, for example. This is often rather bewildering and sometimes not very helpful. As a synthetic work which brings together a great deal of material, it is an enormously useful place to start on the study of urban decentralization, but as an analytical work which cuts through to central issues and problems, it is less useful. But given the nature of the subject matter, this is not to damn the book with faint praise.

K. Newton
University of Essex

THE POLITICS OF THE IRISH CONSTITUTION

Basil Chubb
Institute of Public Administration, Dublin, 1991. 153pp. IR£9.99 (paper)

This relatively short (just over 150 pages) book is concerned with the Irish constitution and change. The aims are to direct attention to the formative political influences that shaped that Constitution – Bunreacht na hEireann – when it was first drawn up at the instigation of Eammon de Valera in the 1930s and to examine political factors that influenced what Chubb rightly calls the relatively modest changes that have been made to it since. But this book is concerned with more than an analysis of the past. Chubb also discusses the problem of how changes ought to be made and the political issues involved in making the contentious changes that are necessary. Chubb examines those influences that one might have anticipated: the Catholic church, the courts, Northern Ireland, the EC, politicians.

The first part of the book describes the Constitution and the main influences on its structure – the British (albeit unconsciously), the Catholic church and de Valera. Chubb lays open the fundamental dilemma, not only in the Constitution but also in much political thinking of the time. Put in an extreme fashion, this was the desire to be Catholic and Gaelic, while claiming to be interested in securing a united Ireland by peaceful means. Northern unionists, as D. Kennedy (*The Widening Gulf: Northern Attitudes to the Independent Irish State*, Blackstaff 1988) points out, found the prospect of joining such a regime absolutely unacceptable.

Pressures for constitutional change were minimal between the enactment of the Constitution in 1937 and the late 1960s/early 1970s. The state did change its name to the Republic of Ireland in 1948, but that really simply recognized reality. However during the 1970s and 1980s, various proposals were made for constitutional revision. Chubb attributes these to a process of (limited) secularization, to an opening up of society through, for example, TV and entry into the EC, and to the violence in Northern Ireland. In fact what is interesting is how little did change. Ireland may be less religious than it was but is still more influenced by the (Catholic) church than other West European countries. Much of the political controversy focused on divorce and those articles concerned with Northern Ireland. Chubb discusses Garret Fitzgerald's constitutional crusade and its failure, and is critical of Fitzgerald's tactics, though not his aims. The comparison is made with a previous Prime Minister, Sean Lemass, who sought change through inter-party agreement. It is worthwhile to read Fitzgerald's recent autobiography (*All in a Life*, Gill and Macmillan 1991) to see the issue from his perspective.

While these matters dominated the headlines, of equal importance is the impact of the EC on Ireland's Constitution. Chubb's discussion of this is interesting and important. It is clear that neither the Constitution nor the politicians have come to terms with this. Notions of sovereignty, for example, articulated in the Constitution sit uneasily with the Single European Act.

The book is excellent value on several counts. First, it is a most interesting discussion of constitutional change in the Republic of Ireland. This is helpful not only on its own merits but also as a way of understanding the question of Northern Ireland. Indeed in analysing Northern Ireland, too many people leave the Republic and its politics out of their consideration. Second, many of the issues are important in a United Kingdom context. The impact of the EC, the relationship between a written constitution and society, are but two issues that are exciting concern in Britain. Important lessons may well be learned from this book. Finally, the book is beautifully and clearly written. Chubb gets to the heart of complex issues quickly and succinctly. The IPA are to be congratulated in producing this book. I have no hesitation in warmly recommending it.

Michael Connolly
University of Ulster, Jordanstown

POLITICS AND POLICY MAKING IN NORTHERN IRELAND

M. Connolly
Philip Allan, 1990. 178pp. £7.95 (paper)

The book is one of a series which aims to provide concise yet authoritative introductory accounts of key topics in contemporary political studies. The author, Professor of Public Policy and Management at the University of Ulster at Jordanstown, sets the level at first year university or polytechnic and 'A' level courses in British politics.

The book has two themes – the conflict, which it follows through three chapters and 59 pages from pre-history until 1990, and the delivery of services contained in accounts of government institutions, the political groupings and the policy-making process. The final chapter examines the conflict and its resolution.

There is a good book to be written with the same title but this one is overweighted towards the conflict and the inclusion of potted history. On the other hand there are glimpses of the book which might have been in the chapters on Government Institutions and Policy Making. A better balance would have required a fuller initial chapter on the demographic, social, religious and economic facts as a background for the policy-making theme. Indeed the chapter on Political Parties portrays them as part of the conflict and not as actors in the policy process. The book is in danger of being categorized as just another on the conflict and possible resolution. This would be unfair to the author and his knowledge of the public sector in Northern Ireland, which strives to break out of the strait jacket in places. The material on institutions, finance and housing and autonomy in policy making are worth reading.

There are a number of small but niggling matters which seem to have escaped the proof reader: the shading is missing from the map on page 8; the name of the author's academic colleague, Bob Osborne, is consistently mis-spelled; the figures for voting support for 1985 on page 100 appear to add to 105.8 per cent; the sub-title on page 96 seems to have mis-placed politics and administration, for the implication of the text is the cost of having taken politics out of administration and not the reverse.

Students can benefit from reading the text and some of the work in the useful bibliography. It might have been a better book if, like modern books on British politics, it began at 1945. This would have left room to develop the policy-making aspect where the book reveals glimpses of expertise.

Sydney Elliott
Queen's University, Belfast

INNOVATION AND ENVIRONMENTAL RISK

Lewis Roberts and Albert Weale (eds.)
Belhaven, 1991. 186pp. £35 (cloth)

Despite the editorial collaboration of a distinguished political theorist and co-sponsorship by a Centre for Public Choice Studies, this is essentially a standard 'proceedings' volume from a standard scientific conference on risk and its public perception. Little is said of the large sociological or economic literatures on technological innovation. Instead, this book is of broadly the same genre – albeit hardly of the same class – as, say, the Royal Society's conference volume on *The Assessment and Perception of Risk* (London: Royal Society 1981).

Given 15 chapters and a wide-ranging closing discussion, generalizations are risky. However risky, they ought nonetheless be attempted, for the most interesting thing about

this collection as a whole is surely what it reveals (or confirms) about the standard (and standard of) discourse within what might be dubbed the 'scientific-industrial complex'.

Underlying most of these papers is a central premise – rarely stated, never so bluntly – which goes something like this:

> We scientists working with and for industry are busily generating innovations that improve the quality of human existence. Those innovations sometimes backfire, despite our best efforts, and of course there is always room for improvement. But at root, risks of roughly that magnitude are essentially inherent in any process of innovation; and, broadly speaking, the process of innovation as a whole does far more good than harm. The problem lies primarily in convincing the public of that fact. The problem lies in their attitudes much more than in our behaviour: the solution lies less in reducing environmental risks than in selling them more effectively.

That, obviously, is something of a caricature. But like all good caricatures, it is also something of a recognizable likeness. Despite frequent homilies ('*of course* we ought to be ever vigilant for ways to further reduce risk') and occasionally whole chapters (such as Tait, Brown and Carr's cataloguing the horrors of pesticide regulation), the general tone is one of scientific smugness and sociological despair. The dominant question seems to be, 'Why cannot people see that we are just doing them good?'

Surprisingly few of these authors turned to the burgeoning psychometric literature that might have helped them to answer such questions. Pioneering work is collected in books like Daniel Kahneman, Paul Slovic and Amos Tversky, eds., *Judgment Under Uncertainty* (Cambridge: Cambridge University Press 1982) and Baruch Fischhoff *et al.*, *Acceptable Risk* (Cambridge: Cambridge University Press 1981). Alternatively, they might have turned for a deeper explication of broadly the same prejudices to the more macro-sociological theories of Mary Douglas and Aaron Wildavsky in *Risk and Culture* (Berkeley: University of California Press 1983). Each of those titles makes but one appearance in reference lists attached to these fifteen substantive chapters.

Indeed, with the notable (very notable) exceptions of Timothy O'Riordan and Roger Williams' wide-ranging chapters, these pieces can for the most part only be described as slight. In terms of chapter length, the mean is just over ten pages (with many of the longer articles being half pictures, graphs, charts or tables). In terms of numbers of references, the mean is again just over ten, with fully a third of chapters having three or less. Nor is scholarly apparatus all that is lacking. In terms of depth of analysis, too, a majority of these chapters seem to manifest the 'minimum publishable unit' syndrome of which scientific journal editors themselves so often complain.

Such thinness seems characteristic of scientific presentations to conferences aimed largely at lay audiences – and 'lay' for these purposes embraces everyone from specialists in adjacent disciplines to policy makers and their advisers. Technology explains a lot. In 'popularizing' conference presentations, scientists often just let the slide-show razzle-dazzle take over. That might explain why such presentations have more impact than merited by the quality of their arguments alone – and also why they seem so flat on the printed page.

There is also, of course, an unfortunate tendency among natural scientists not to take the contributions of social scientists seriously, even when the answers to the questions they are asking must obviously lie within their domain. Hence the reluctance to look at social psychological or social anthropological literature on risk perceptions. Beyond that, of course, there is the scientist's broad disrespect for the untutored opinions of the public at large as they touch upon scientific concerns. Accordingly, scientists do not try very hard to try to 'make sense' of what they regard as the public's 'superstitious' fear of risks or of new technologies. And they are genuinely intrigued – reacting rather as if the thought had simply never even occurred to them – by Albert Weale's comment, in the general discussion that closes the book under review (pp. 169–70), that the public might like to have some say in the direction in which technological innovation proceeds.

Yet in many ways, the public perceptions are far richer than scientists' own. When people

'irrationally' react much more strongly to one risk than another apparently identical one, they do not themselves see them as being identical: they have, in the backs of their own minds, some basis for distinguishing between them. Sometimes the folk distinction is born of clear error (the 'heuristics and biases' discussed in the Kahneman-Slovic-Tversky volume, mentioned above). But sometimes the folk distinctions are onto something of real significance. There really is a distinction between voluntarily and involuntarily incurred risks, even if they are of the same magnitude. There really is a difference between killing lots of people one-at-a-time and killing the same number all at once. There really is a difference between imposing risks on ourselves and on future generations.

One of the lessons of all those psychometric studies of risk behaviour neglected here is that people – experts included – are generally poor risk assessors. Furthermore, they underestimate badly how poor they are. The papers in this volume, taken as a whole, might be deemed yet further proof of that proposition.

Robert E. Goodin
Australian National University

CONTROLLING POLLUTION IN THE ROUND: CHANGE AND CHOICE IN ENVIRONMENTAL REGULATION IN BRITAIN AND GERMANY

A. Weale, T. O'Riordan and L. Kramme
Anglo-German Foundation, 1991. 238pp. £12.50 (paper)

With the growing scientific consensus that sulphur dioxide in power-station flue gasses is linked to environmental problems such as the die back of forest trees and the acidification of soils and lakes, West Germany and eventually Britain started to fit flue gas de-sulphurization processes to coal-burning power stations in the eighties. While the favoured method of injecting finely ground limestone into the flue gasses removes a high proportion of the sulphur dioxide and produces a commercially useful by-product, gypsum, it generates other environmental problems: those associated with quarrying and transporting the large amounts of limestone needed; those associated with disposing of commercially unusable solid wastes, including low quality gypsum; those associated with disposing of polluted water.

As the authors show, despite movements towards integrated pollution control in both Britain and Germany only inadequate attempts were made in both countries to consider the overall environmental effects of flue-gas de-sulphurization. As it has developed since the seventies, the idea of integrated pollution control has come to have a number of dimensions: regulatory control may be justified before full scientific consensus has been achieved or in anticipation of unproven harm; regulatory agencies should comprehensively review policy options; regulators should avoid displacement of environmental problems elsewhere in the ecosystem in setting regulatory standards; regulators should be sensitive to the interactions between different pollution pathways; environmental regulation should be integrated into the other policy communities, so that second-order environmental consequences are brought to the attention of key decision makers.

This book traces the history of the idea of integrated pollution control and the organizational changes made in Britain and Germany which were partially related to it. In Britain integrated pollution control was first advocated by the Royal Commission on Environmental Pollution in a report published in 1976 as a means of overcoming the fragmentation inherent in a regulatory structure spread across several departments and between central and local government. However, the reluctance to pursue further reorganization in the wake of the changes in the early seventies, infighting within Whitehall, the Thatcherite aversion to 'organizational fixes' and the low political priority of the environment to the Thatcher

government meant that Her Majesty's Inspectorate of Pollution did not emerge until 1987. While some air, water and waste regulatory functions were now brought together and relocated within the the the DoE, responsibility was still widely spread. The working principle of 'best practical environmental option' as a way of institutionalizing integrated pollution control proved to be very demanding to apply, and came under pressure from the technology forcing principle adopted from German practice by the EC. Lack of resources continued to undercut the work of the inspectorate. Organizational integration has proven insufficient to generate regulatory integration.

As the authors show, the new German Federal Environmental Ministry was as much a politically expedient response to the threat posed by the Green Party and to the considerations of maintaining the stability of coalition government as an attempt to carry through thoroughgoing integration. The authors compare the two countries considered on three dimensions which have conditioned the success of change: intellectual barriers; the political conditions fostering and retarding change; and the organizational barriers to change. They show how the history of environmental regulation in the two countries conditioned the underlying principles of regulation and the methods of regulation adopted. The study is a model of how to carry out comparative research on a small sample of countries.

For those interested in environmental regulation in Britain and in the EC, this book will be indispensable. The acute way in which the conceptual tools of policy analysis are applied will also make it of great interest to all who study public administration.

Hugh Ward
University of Colorado at Boulder

WASTE LOCATION: SPATIAL ASPECTS OF WASTE MANAGEMENT, HAZARDS AND DISPOSAL

M. Clark, D. Smith and A. Blowers (eds.)
Routledge, 1992. 252pp. £40.00 (cloth)

THE INTERNATIONAL POLITICS OF NUCLEAR WASTE

A. Blowers, D. Lowry and B. Solomon
Macmillan, 1991. 362pp. £45.00 (cloth), £17.50 (paper)

The politics of waste are set to become even more active in the decade ahead. The Environmental Protection Act of 1990 established a powerful duty of care on waste transfer and disposal that has yet to be tested in the courts. European Community rules on strict liability mean that waste disposal companies will be culpable for evermore should hazardous emissions maim ecosystems or people even if all the correct regulations are followed. Registers on contaminated land may well show that schools, hospitals and housing estates are sited on soil that is unfit for human habitation. A new UK Environmental Protection agency is being mooted. One of its duties will be to tighten up on the somewhat chaotic state of knowledge and regulation on the whole waste cycle at local authority level. Meanwhile public hostility over dumps of any kind grows just at a time when Britain has banned all discharges of hazardous materials into the North Sea – for too long a cheap and convenient dumping arena for the products that we all take for granted.

These two books are timely and comprehensive. The waste location text is a series of essays on the geography of waste disposal, combining the problems of data handling, with the physics and chemistry of landfill and incineration, to the politics and economics of siting and waste minimization at source. The authors all write with flair and gusto,

and know full well the crises that are looming. A notable feature is the staggering lack of information on waste movement and emissions from waste disposal sites. Frankly the whole industry is in a mess, and it will take many years to sort it out, just at the depth of a recession.

It remains an open question as to how much money government will put in to ensure that its waste regulation is efficiently and effectively handled. Right now the responsible agencies are scattered across a range of authorities and departments with little common purpose or data handling expertise. Inevitably charges will be levied on waste movements and this will undeniably affect the smaller companies and those with lower profit margins. The squeals of anguish will put environmental protection in the centre of the struggle between economic renaissance and a reasonable quality of life for future generations.

The nuclear waste book follows a similar line but looks at the difficulty of disposing of a particularly troublesome product in the UK, the US and Western Europe generally. The text is spicey and detailed with good stories. It is a good buy for anyone seriously interested in the politics of the environment. The nuclear conundrum will not be resolved until the problems of acceptable final disposal are overcome. That is proving to be a mighty headache in a democracy. Why this is the case is well documented. Essentially nuclear waste will have to go where nuclear benefits are also generated and its acceptance will await another generation or more. This will be when the fruits of energy conservation and renewable energy investments begin to wither and more new energy of a 'non greenhouse gas' kind is demanded. Even then, the future of nuclear survival lies in openness, modesty, small scale and package deals with waste being stored on site. So far the industry has still to heed this call from the NIMBY hustings.

Timothy O'Riordan
University of East Anglia

PUBLIC ENTERPRISE PERFORMANCE EVALUATION: SEVEN COUNTRY STUDIES

Roger Wettenhall and Colm O'Nuallain
International Institute of Administrative Sciences, 1990. 226pp. 800F (Belgium)

This book, published by the International Institute of Administrative Sciences and the International Association of Schools and Institutes of Public Administration, is a comparative study of the evaluation systems employed in India, Pakistan, Singapore, New Zealand, Saudi Arabia, Britain and Finland. It is the product of the Association's Working Group on Public Enterprise Management Education and Training.

In the decade on which the book principally reports, public enterprise has been under attack as never before – indeed, the very term public enterprise has a slightly dated ring to it. The subject of performance evaluation is, therefore, a particularly appropriate one and, despite the extraordinary variety in the countries covered, a number of clear common themes emerge.

One is that there is simply a lot of evaluation about. In the first essay – on India – Mishra describes the Indian system of parliamentary scrutiny as 'extensive and probing' and his further description leaves no doubt that this is so. This type of observation is repeated in study after study. Yet there is also near universal dissatisfaction with the performance of the enterprises concerned. In large measure, this is because the evaluation is not directed to the aspects of the enterprise that cause most concern. It is aimed at legitimacy, not effectiveness: in Singapore 'the Auditor-General has usually focused on questions of financial propriety and legislative compliance' (p. 105); Saudi Arabian evaluation 'concentrates mainly on auditing documents, checking records, and renewing financial activities in accordance with the observed rules and regulations' (p. 158).

So evaluation is not primarily concerned with the effectiveness with which public enterprise achieves its goals. Each of the studies is concerned, in different ways, with the problem posed by the multiplicity of public goals and the unwillingness of government to define what they are. The easiest solution is to deny that multiplicity, and Singapore is distinguished by the combination of greatest satisfaction with the performance of public enterprise and the greatest willingness to leave the firms involved to focus on purely commercial objectives. But if this approach is accepted, of course, it calls into question the whole rationale of public enterprise – if the objectives are entirely commercial, why are not the firms also? And this is indeed the position that the governments of Britain and New Zealand have reached.

Public enterprises largely divide into those that do truly have multiple objectives – posts, railways, health care; and others – telecommunications, electricity distribution – which are essentially commercial activities with monopoly power. For the first group, the evaluation problem lies primarily in the unwillingness of politicians or managers, for different reasons, to pursue a clear definition of objectives. For the second group evaluation is truly not so hard. A merit of privatization is that it has made that evaluation explicit for the second group of firms. There is no reason why the same result cannot be achieved within the public sector.

John Kay
London Business School

ESPIONAGE AND SECRECY: THE OFFICIAL SECRETS ACTS 1911–1989 OF THE UNITED KINGDOM

Rosamund M. Thomas
Routledge, 1991. 288pp. £40.00

This is the only book that I have read that is dedicated to 'Queen and Country' and to concepts of 'honour, truth, trust, loyalty, duty, service and education'. It is a book in which the author sees Britain as facing a multitude of threats – external and internal – which require eternal vigilance from authorities who are hampered by inadequate laws against espionage and subject to the activities of subversive investigative journalists.

It is also a book from a lawyer not from a political scientist. It is therefore good in its legal analysis (with plenty of detailed footnotes) but weak in placing this analysis in a political context – Thomas for example believes that Sir Norman Brook was Home Secretary in 1964.

At the interface between politics and the law Thomas shows a considerable degree of naivety. She writes for example that 'The Attorney-General acts wholly independently of the Government in criminal proceedings'. Even a cursory glance at the two standard works on the subject by Edwards would have shown a considerable degree of political influence, even interference, from the government in the decisions of the Attorney-General about whether or not to bring a prosecution.

Thomas recognizes that there is a problem in the overlap of the functions carried out by the Law Officers but argues that this can be overcome if governments are 'requested' (by whom is not clear) to 'use Law Officers with care' and not let them become involved in party politics. Such a notion shows a touching faith in the probity of governments but ignores the fact that the holders of these offices are themselves politicians and have got where they are by being party supporters.

A similar failure to give any weight to the political influences on the law can be found in the discussion of perhaps the most controversial case brought under Section 1 of the 1911 Official Secrets Act – DPP v. Chandler. In this case anti-nuclear protesters at a RAF

base in East Anglia were prosecuted under Section 1. Thomas argues that this was legally correct, exactly what the authors of the act intended and she has the backing of the House of Lords in reaching that conclusion. Many other commentators though have felt this was stretching Section 1, dealing as it does with espionage, to breaking point.

What Thomas does not consider is why the government chose to use Section 1 when other lesser charges could equally well have been brought against the demonstrators. The answer is that the government wanted to use Section 1 for political reasons to demonstrate that they were prepared to crack down on civil disobedience. It was for exactly the same reasons that the government considered using Section 1 against the women at Greenham Common.

This book is also a bit like Hamlet without the prince. Section 2 only crops up because Thomas argues that it can be used to charge spies when there is not enough evidence for a Section 1 prosecution – an interesting new justification for its all-embracing provisions. She believes that Section 2 is preferable to the 'reformed' 1989 act because of this wider reach.

A theme running through this book is that the laws against espionage are not adequate even though an accused person has no right to silence and the burden of proof is reversed. Soviet sabotage teams have infiltrated the protesters at Greenham Common and investigative journalists are subversive. The 'ABC trial' is treated with great seriousness but there is nothing about much of the 'evidence' against the accused being in possession of openly available information from service journals or such top secret material as a photo of the Post Office tower. Thomas is unhappy that at the two Cyprus trials in 1984–5 some witnesses were 'permitted' to give evidence for the defence. She also wishes that a 1920 proposal that prohibited the supply of drugs and alcohol to members of the armed forces had not been dropped. I also hope that I misread the passage about the Cyprus trials that seemed to me to suggest that the accused ought not to have been acquitted.

Thomas' problems with politics and the law are well illustrated by the 1989 Security Service Act which she praises. What she does not consider in terms of any concept of 'the rule of law' is Section 3 which makes illegal activities by the security services legal as long as a secretary of state has signed a warrant authorizing the action.

Clive Ponting
University College, Swansea

A VOICE FOR CHILDREN: SPEAKING OUT AS THEIR OMBUDSMAN

Målfrid Grude Flekkøy

This book is published in a year which sees the implementation of the Children Act 1989 and the Labour Party's proposal to appoint a Children's Commissioner. Mrs Flekkøy was a proselytizing rather than impartial 'ombudsman' and says much of value about how ombudsmen work.

Her book describes the context for setting up an Ombudsman for Children (BARNEOMBUD), a post held from 1981 to 1989 by Mrs Flekkøy, parent and clinical psychologist. Chapter 1 gives the background of law and social tradition in Norway. Chapter 2 describes how the Office was established, its staff, philosophy, advisory panel, budget and its aim of reaching the children it was set up to help.

Chapter 3 contains cases investigated and complaints received. Chapters 4–6 deal with challenges and changes, lessons to be shared and views and visions about the United Nations Convention on the Rights of the Child. Four appendices illustrate the Ombudsman's statute; children's rights and responsibilities; a 1989 poll of the Norwegians' (considerable) knowledge of the Ombudsman; and examples of influence on legislative proposals and guidelines.

Mrs Flekkøy shows how attitudes change, with the statute abandoning 'parental authority' for 'parental responsibility'. A main objective of her post was 'informing all levels of the importance of giving children's problems a higher priority and putting into force necessary new measures'. Another was the need to coordinate services provided for children, covering health, social and child welfare and protection, pre-school and school, urban and rural planning, culture and the consumer.
• The book contains effective advocacy of the rights of children, illustrated in detail, and a commentary on administrative law and the politics of establishing a new Ombudsman. Mrs Flekkøy describes how cases are screened, evaluated by the members of her staff and investigated. Adults, in particular, turned to her over matters which she was not empowered to handle, insisting that the office should break its rules or have them changed and threatening to take a refusal to investigate to court or the Storting.

When 10 year old Peter wanted a football field watered to make a skating rink, he was told to telephone the local authority but to let the Ombudsman's office know what happened. Nothing happened. A call from the Ombudsman to the authority had the field watered. A child with cancer was refused admission to a kindergarten. A letter from the Ombudsman, suggesting that the mother should take the matter up with the local newspaper, changed the decision. Mrs Flekkøy's crusading spirit is illustrated by: 'For the Ombudsman the practically non-existent number of complaints received from children of immigrants was a matter of concern', so she organized rallies and seminars.

When she objected, with reasons, to educational legislation proposed by the Council of State, her action was questioned by a Christian Democrat asking if the Ombudsman was not obliged to be loyal to the Council of State. The Minister replied that the Ombudsman was not so obliged, that the purpose of the Ombudsman was to have an autonomous office critical of any part of the Administration, but tartly hoped that 'the Ombudsman in future would base her opinions on factual knowledge'.

The book is useful for those who want to run an effective pressure group; for new Ombudsmen setting up in business; and for those promoting children's well-being.

W. K. Reid
Parliamentary Commissioner for Administration

UNRAVELLING HOUSING FINANCE: SUBSIDIES, BENEFITS, AND TAXATION

John Hills
Clarendon Press, Oxford, 1991. 334pp. £35.00

British housing policy in the 1980s has been affected by a number of very substantial changes. Of these, the changes in local government finance, credit approvals and capital expenditure, subsidy systems for local authority and housing association housing and in housing benefit are of crucial importance. They can also appear extremely complex. John Hills has written a very clear and concise account of this system. Embracing the legislative changes of 1988 and 1989 it provides the most comprehensive account of current arrangements. It is likely to be the standard text on these arrangements complementing books which offer a fuller historical account.

The book is written for a variety of readers rather than specialists. It is well organized and presented with effective summaries, tables and diagrams. It is organized in six parts dealing in turn with the background to housing finance, subsidy systems, housing benefits, and taxation and offering an evaluation of the system and a discussion of reform. The book starts with a discussion of why housing is subsidized and Hills distances himself from both the simplistic 'free the market' position which has been adopted by some recent economistic texts and from the 'housing as a social service' position. In his accounts of public spending on housing Hills makes a valiant attempt to refer to Scotland and Northern

Ireland as well as England and Wales. In general, however, the book focuses on England and Wales and there are limited references to local or regional differences and to spatial variation generally. The book is well referenced throughout and supports arguments with data. On occasion the data is not extensive or robust – for example the discussion of local variations in rents. The discussion of the treatment of capital receipts does not do justice to territorial differences and does not explain the impact of the 'normal' situation in the 1980s when housing capital receipts exceeded the estimates used in public expenditure planning. The advantages to the treasury of these windfall gains are as important as the problems referred to. But these are carping criticisms and ones which do not seriously detract from the book.

The final sections of the book are the most original and challenging for policy debate. Following a valuable and important analysis of returns on local authority housing, Hills embarks on a discussion of the distributional effects of the system. Initially he appears to be following a long tradition of cross-sectional analysis of size of subsidy, insufficiently disaggregated according to household type and life-cycle position and for whole tenures rather than segments of the market. He does compare tenants and owners in this way relating results to the pattern which would be produced by a 'comprehensive income tax' and referring to deciles of households according to net income and housing costs and adjusted for household composition. But, at the end of this, Hills does not conclude that subsidies or payments for housing should be determined by some esoteric formula, the rationale for which would be difficult to explain to the households involved as an appropriate basis for their housing costs. Instead, with disarming honesty, Hills admits that cross-sectional results can be misleading. He goes on to discuss life-cycle effects and shows how analysis of these will produce different results and how there is insufficient on life-cycle effects to produce a specific policy-related conclusion. Just as this is a refreshing approach, so is the review of proposals for reform and his own detailed and wide-ranging conclusions about the ways forward for housing finance.

The net effect is the best account of housing finance since Nevitt's *Housing Taxation and Subsidies* (Nelson 1966), and a book which should be recommended to all those interested in housing and housing policy. Not so many will purchase it, however, unless a lower price paperback emerges.

Alan Murie
Heriot-Watt University

DILEMMAS OF PLANNING PRACTICE

Huw Thomas and Patsy Healey (eds.)
Avebury Technical, 1991. £35.00

This is a very different book. It deals with planners' experience of practice and the dilemmas that they confront in the light of a decade or more of anti-planning rhetoric and a shift to a market-oriented approach to the built environment. It considers three broad issues. First it examines ethical issues such as whether or how to be politically neutral and how to manage the diverse responsibilities that planners have to political leaders, developers, their professional colleagues and the public. Second the book examines the appropriate knowledge and skills required by planners in their new world. What emerges is that planners use a diverse range of skills from information management to understanding organizations to reasoning with their clients. The third focus of the book is how and to what extent can planners claim legitimacy for their intervention in the built environment.

Several strategies of legitimacy are outlined. Planners can present themselves as bureaucratic technicians with a specific contribution to make in defining the public interest. They can seek legitimacy through sharing the political values of their employers, the

councillors. Finally they can present themselves as honest brokers, seeking to communicate and bring together a variety of sectional interests.

The book grew from a conference at Newcastle University. The editors provide an overview of key issues at the beginning of the book. Part 2 consists of papers from various practitioners about their experience. Part 3 contains two essays reflecting on the themes of the book. Jacky Underwood offers a brave attempt to define the public interest by way of the ideas of the environmental movement. Sue Hendler discusses how appropriate ethical codes might be developed. In the final section of the book the two editors bring together the various themes and arguments.

The book is somewhat more effective in raising issues than resolving them. The contributions from practitioners were not perhaps as revealing as they might have been. This reader, at least, doubted if we were being told the whole story. Although it is difficult to judge, there is no evidence that the practitioners who were asked to contribute were in any way representative of the planning profession.

It did cross my mind that it was a little self-indulgent to spend so much time discussing the dilemmas of planners created by Thatcherism when the brunt of the crisis is borne in more real terms by many poor urban residents. Finally I think the format and price of the book means it is unlikely to be widely read in the planning profession. Nevertheless given the unusual focus of this book it is to be welcomed. I look forward to a similar soul-searching volume from the developers, landowners and financiers that drive the regeneration of the built environment in our country.

Gerry Stoker
University of Strathclyde

HALDANE ESSAY COMPETITION 1991: JUDGES' REPORT

It is pleasant to begin by reporting a substantial increase in the number of entries for this year's competition – 16 essays compared with 11 in 1990. Despite this larger field, however, our deliberations have led us, reluctantly, to the conclusion that there should be no award of the Haldane silver medal for 1991. Although it is perhaps only to be expected that there will be the occasional year in which there is no outstanding entry we wish to offer a few words of explanation of our judgement.

What we hoped for, but did not quite find, was an essay which would simultaneously exhibit the following virtues:

— a coherent, analytical treatment of administrative problems, practices or methods;
— at least a dash of originality (which often requires *some* awareness of what contributions have already been made on a particular topic);
— a demonstrated relevance to contemporary issues and themes (even if the subject was primarily historical); – a fluid and pleasing style.

Essays also had to satisfy the other requirements set out in the rule sheet, for example, with respect to length, layout, etc. Taken together we believe that these expectations were very close to those set out in the Judges' Report for 1990 (*Public Administration*, vol. 69, no. 1, pp. 139–40).

In the event, several essays satisfied two or three of our criteria, but none met them all. Other entries soon displayed themselves as being in clear breach of one or more of the rules. Among the latter was one essay which was much too long and others which were clearly student dissertations that had not been adapted to the tone or form of an essay. We very much welcome work from students of public administration, but would observe that to win the Haldane prize will normally require some recasting of an assignment or dissertation. In the age of the word processor this should not prove too difficult or time-consuming. Supervisers and other university and polytechnic staff involved in the counselling of students, please note!

A familiar problem which occurred in two or three of the essays was what one might term lop-sided scepticism. A particular policy or programme would be subjected to detailed and critical analysis. So far, so good. Then, perhaps even in the concluding paragraph, the author would reveal his or her preferred solution

to the problem under investigation. This solution, however, would be subjected to no critical analysis whatsoever – the reader was expected to take it on trust.

Two or three other essays were limited in a different way. They launched into their chosen topic apparently unaware that there was a considerable, and easily available relevant literature already in existence. Whilst we do not expect all Haldane essayists to be library-bound scholars we do look for evidence of a broad awareness that others may have tackled the same topics before, and may even have come up with some relevant and interesting ideas. Again, we live in an age when it is not usually difficult to conduct an electronic or other search of the catalogue of a good library. The RIPA itself, of course, has excellent facilities in this regard.

Although we decided not to award the Haldane medal itself we did find several entries of considerable merit. Particularly crisp and well-informed was 'One and many: the office of secretary of state' by 'Lucerna Pedibus Meis'. Unfortunately its contemporary relevance was only hinted at, so it remained primarily a learned historical essay. Equally sharp was 'The agency game and the civil service', a sceptical treatment of the *Next Steps* programme which somewhat made up for its one-sidedness by its lively, 'insider' feel. We enjoyed this assault from the 'Kray Twins'. Finally we wish to mention 'India's drive against poverty' by 'Venus', a detailed treatment of a huge administrative and political problem. Although this was one of the essays in which we felt that the author's preferred solution was not fully scrutinized, the author nevertheless offered a systematic treatment of a wide administrative territory.

We recommend that the authors of each of these three essays should be awarded £50 prizes in recognition of their merit.

Sir Kenneth Clucas, Christopher Pollitt   January 1992

LUCERNA PEDIBUS MEIS– A. J. C. Simcock, Assistant Secretary, Department of the Environment.
THE KRAY TWINS – C. Sladen, unemployed, former advertising copywriter.
VENUS – Dr Marina Pinto, Reader in Public Administration, University of Bombay.

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8 Walnut Close, Stoke Mandeville, Aylesbury, Bucks HP22 5UG

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27 Devon Gardens, Low Fell, Gateshead, Tyne and Wear, NE9 5BN

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KEN PHILLIPS
Head, School of Public Policy and Administration,
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Department of Social Security, 1 Shakespeare Street, Nottingham NG1 4GJ

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Colum Drive, Cardiff CF1 3EU

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Dr JAMES CONNELLY
c/o Management Division, Southampton Institute of Higher Education,
East Park Terrace, Southampton SO9 4WW

Yorkshire and Humberside
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Policy Research Unit, Leeds Polytechnic, 43 Woodhouse Lane, Leeds LS2 8BW

NOTES FOR CONTRIBUTORS

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R. A. W. Rhodes
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THE DYNAMICS OF POLICY CHANGE: LOBBYING AND WATER PRIVATIZATION

JEREMY J. RICHARDSON, WILLIAM A. MALONEY AND WOLFGANG RÜDIG

The privatization of the water industry was one of the most controversial and turbulent privatizations of the 1980s. The government undertook the project somewhat reluctantly, then the first plans had to be withdrawn, but eventually, the privatization of the industry was successfully completed in 1989. In this article, we first set out to provide a thorough account of the process of privatizing water, based on primary sources and exhaustive interviews. In doing so, we identify some major problems of established theories of British policy making: the process of water privatization clearly does not conform to any single model of policy making. Instead, individual 'episodes' of the policy process conform to different models. Arguing that existing theories of British policy making may have focused too narrowly on routine decision-making processes, we propose that a theory of the transformation of policy communities is required to understand the dynamics of radical policy change in Britain.

> We have absolutely no intention of privatising the water industry. The government have no plans to urge that upon the water authorities. There has been some press speculation about it in the past, but there is no intention to do so (Mr Neil MacFarlane, Parliamentary Under-Secretary of State for the Department of the Environment, HC Debs., 20 Dec. 1984, col. 457).

> The Government would welcome new ideas on privatisation. However, the water authorities are natural monopolies for many of their functions and we need to be particularly careful when considering replacing a public monopoly by a private one (Mrs Margaret Thatcher, Prime Minister, HC Debs., 31 Jan. 1985, col. 292w).

> ...my right hon. Friends and I will be examining the possibility of a measure of privatisation in the industry (Mr Ian Gow, Junior Environment Minister, HC Debs., 7 Feb. 1985, col. 1142).

> In the last six years we have made the water authorities fit and ready to join the private sector...Privatisation is the next logical step. It will bring benefits to the customers, to the industry itself and to the nation as a whole (Mr Kenneth Baker, Secretary of State for the Environment, HC Debs., 5 Feb. 1986, col. 287).

Jeremy Richardson is Director of the European Public Policy Institute and Professor of European Integration at the University of Warwick; William Maloney is Research Fellow, Department of Politics and International Relations, at the University of Aberdeen; and Wolfgang Rudig is Senior Lecturer in Government, at the University of Strathclyde.

1. POLICY COMMUNITIES AND ISSUE NETWORKS

The notion of privatization as a radical policy innovation appears to contradict models of the British policy process which emphasize consensus and accommodation, such as the theory of a dominant national policy style. However, at the core of these theories were propositions about the process, not the substance of policy. Privatization is a concept which emerged in the early years of the Conservative government and became a major feature after the British Telecom privatization. Policy style theory would predict that, given a new issue or problem, governments would employ a standard pattern of responding to it. The starting point of our analysis is the notion that privatization has the same status as a new issue. Our purpose is not to explain the emergence of privatization as a general concept but is to address the question of how established political actors responded to this new 'problem'.

Looking at theories of political processes, the main distinguishing feature concerns the pattern of actor involvement. One of the most important recent notions is that of the 'policy community'. In originally proposing this term in 1979, we argued that policy making was fragmented into sub-systems and that the main boundaries were between sub-systems rather than between the component units of the sub-system. Policies were

> made (and administered) between a myriad of interconnecting, interpenetrating organisations. It is the relationship involved in communities, the policy community of departments and groups, the practices of co-option and the consensual style, that perhaps better account for policy outcomes than do examinations of policy stances, of manifestos or of parliamentary influence (Richardson and Jordan 1979, p. 74).

A 'policy community' is one type of what Rhodes and Marsh see as a generic term – namely 'policy network' (Rhodes and Marsh 1992). However, it does have several unique characteristics which distinguish it from, for example, issue networks. Policy communities are based on the 'major functional interests in and of government' (Rhodes and Marsh 1992). As Jordan argues, 'a policy community exists where there are effective shared "community" views on the problem. *Where there are no such shared attitudes no policy community exists*' (Jordan 1990, p. 327). The shared values and frequency of interaction facilitate the development of an exchange-based relationship between actors (Jordan and Richardson 1982).

Apart from 'policy communities', there are other (related) ways of characterizing the patterns of interaction between policy actors (hence Rhodes's and Marsh's preference for policy network as a *generic* term). One alternative model is that of 'issue network'. The concept of 'issue networks' was originated by Heclo in rejecting the conventional, rather ordered (Iron Triangle), view of politics in the United States. He argued that 'Looking for the closed triangles of control, we tend to overlook the fairly open networks of people that increasingly impinge upon government' (Heclo 1978, p. 88). With this increasing complexity, it has become even more difficult to identify 'leaders' of policy areas. Whilst the issue network concept has several deficiencies, it is worth utilizing this concept because it '*fails*

to provide a simple image to policy making' (Jordan 1981, p. 114). Issue networks can be characterized as having a large number of participants with no restrictions on entry. They are 'fragmented' rather than 'segmented'.

In theory, there is no conceptual reason why a particular example of the policy-making process should not conform to a number of models – at different stages. Looking at the case of water privatization, we found that a certain model could be applied to a particular phase of the policy process, but that no one model adequately captured the totality of the process. What we are proposing, therefore, is to look at policy community and issue networks not as mutually exclusive concepts but as different manifestations of policy actor interrelationships which one individual policy issue could pass through at various stages of its development.

At times we see a strong policy community at work – with an inner core of groups closely involved in negotiating outcomes. At other times we see a shift of power, away from those groups historically granted the 'franchise' for policy, towards an issue network of groups not usually influential over the main lines of water policy. The process became less predictable and during a brief period of 'internalized policy-making' (Jordan and Richardson 1982) even excluded the ultimate 'core' group itself – the water industry.

Public policy innovation does not, of course, occur in a political vacuum. Policy areas have an established pattern of interaction. A new stimulus can upset that pattern, posing new questions and challenges. The first question we have to address relates to the state of the policy sector before a new issue or problem – here privatization – emerged. Secondly, we have to examine the policy initiation process. Who took the initiative, and why? How did individual actors react? Was there a response from the community/network? Thirdly, we need to analyse the decision-making process in its various stages, leading up to the public sale.

2. POLICY INITIATION: HOW DID WATER PRIVATIZATION GET ONTO THE AGENDA?

Prior to privatization, the main features of the water policy sector had stemmed from the comprehensive reorganization in 1973/74. Regional Water Authorities (RWAs) were given control over every aspect of water management in their particular region. The change was from single-purpose to multi-purpose authorities, based upon the concept of Integrated River Basin Management (IRBM). The reorganization reflected the dominance of engineers as it emphasized so-called technological, rather than political, criteria (Jordan and Richardson 1977; Parker and Penning-Rowsell 1980; Gray 1984). These changes also imbued the industry with a stronger corporate identity. However, the reorganization followed the common patterns of policy making: all established interests, even the local authorities, were to some degree accommodated. The water policy sector conformed fairly closely to the model of a policy community in which technical expertise was the main basis for consensual decision making (Jordan et al. 1977).

Thus the seeds for radical change were laid in 1973 – 'the 1973 legislation not only introduced some major innovations into the administrative framework, it also provided for some radical changes in the approach to water management. Water

was now to be regarded as an economic good' (Sewell and Barr 1978, p. 342). Since 1973 water has been seen less and less as a 'service' and more as a 'commodity' (Saunders 1985). The further restructuring of the industry through the Water Act 1983 pushed the RWAs towards an ethos which stressed commercialism, as did the final exclusion of local authority representation on RWAs, and hence from the policy community itself. The distribution of power within the policy community changed: local authorities were finally excluded, and economic considerations became more important than technical ones. Increasingly tighter government financial restrictions were also placed on the RWAs.

Thus, the decision to privatize may not be as radical as it appears, in terms of the historical development of the industry. The industry had become more 'managerial' and 'technocratic' and conventional public accountability had declined. However, the government was still a long way from deciding to privatize the water industry, and the spark for innovation had to come from elsewhere.

In February 1985 the Treasury Orders on Rate of Return for the water industry provoked and annoyed the management of some of the RWAs. Indeed, in January 1985 several of the RWA chairmen had reminded their customers that the government was to blame for the increases in charges. In particular, the Thames Chairman, Roy Watts, stated that his board objected to the repayment to government of an extra £40m. in loans and to the consequent increase in charges of 10 per cent to cover it – Thames had budgeted for a 6 per cent increase. Watts claimed that Thames could provide a better service if it was in the private sector, and that Thames had become a revenue-raiser for the Treasury. Mr Watts played a key role in the initial stages of the privatizing process and his intervention heralded the beginning of 'a long period of confusion and false starts' (Kinnersley 1988, p. 136). It would be wrong, however, to see the Watts intervention as a random event. Since being appointed he set in train a process of organizational change, bringing to Thames a completely new perspective, culminating in an organizational culture which was more akin to the concept of an American utility company than to a British public service organization. (Thus, if we are looking for a 'revolution' in the water industry in England and Wales we need to be conscious of shifts in organizational culture, as well as the importance of legislative change). The call for independence from government, albeit a call not founded on any organizational blueprint for a privatized industry, seems a logical development in Watts' approach to the job of managing Thames. Therefore, this initiative from one part of the industry did not come out of the blue. It reflected the values of the industry's new managers, even though it did not reflect any involvement of the water policy community as a whole.

Following Mr Watts' comments, the late Ian Gow, the junior Environment Minister announced, during the Treasury Orders debate on 7 February 1985, (it is believed without the knowledge of his department) that the government was *at least prepared* to consider radical change. However, as late as 31 January 1985, the Prime Minister had been unenthusiastic about the prospects of water privatization. Indeed, in December 1984 the government had issued a *categorical denial* that it had any intention of privatizing the water industry. In response

to a written Parliamentary Question, the PM replied that

> The Government would welcome new ideas on privatisation. However, the Water Authorities are natural monopolies for many of their functions and we need to be particularly careful when considering replacing a public monopoly by a private one. *Because of the environmental and public health responsibilities, any proposal to privatise them would also raise issues of regulation* (HC Debs. 31 Jan. 1985, col. 292, emphasis added).

Yet *one week later* Mr Gow said that

> Some of my right hon. and hon. Friends have suggested that the Water Authorities might be transferred to the private sector and I understand that that prospect would not be unwelcome to the Chairman of Thames. . . The transfer of Water Authorities, which form a natural monopoly, presents special problems, not least because of their regulatory functions. Nevertheless, my right hon. Friends and I will be examining the possibility of a measure of privatisation in the industry (HC Debs. 7 Feb. 1985, col. 1142).

Privatization of the water industry therefore arrived on the agenda suddenly, although we believe that Mr Gow had previously discussed the possibility of privatization with the Chancellor of the Exchequer and some Conservative back-benchers. A threatened Conservative revolt over the Rate of Return Order was also influential in catalysing the government's interest in privatization (Watts was keeping the 140 or so MPs in the Thames region well briefed). There had been no *departmental* consideration of models for a privatized industry or of the complex regulatory issues which the Prime Minister had recognized. Water privatization was near the bottom of the Treasury's list of possible privatizations and there was no need for active departmental consideration. The hitherto well-ordered policy community in water (Jordan *et al.*, 1977) had not considered the issue, the government had not really considered it, and even the main proponents appeared to have no clear ideas of how it might be achieved, or of what political obstacles might be encountered with rival interests, or of the possible legal implications because of Britain's membership of the European Community (EC).

Apart from these specific sectoral factors, we also have to consider the general state of privatization policy at the time. The privatization of large public utilities had arrived on the government's agenda almost by accident. It was the enormous commercial and political success of the public sale of British Telecom which alerted the government to the existence of further privatization opportunities and laid the groundwork for more radical proposals, even though the initiative from the water industry caught the government by surprise. Having been stimulated by the idea of large scale privatizations it was difficult to say no to the proposal once it had been tabled by one of the industry's leaders.

At the policy initiation stage, the evidence strongly suggests an absence of policy community influence or of widespread consultation processes. However, this can hardly be seen as a complete falsification of the policy community model: the issue had been raised, no more. It is between this initiation phase and the successful privatization of the industry that the key decisions were to be made, and it is here

that theories of British policy making would predict the influence of 'policy communities' and of consultation as a mode of decision making.

3. POLICY DEVELOPMENT: TOWARDS THE 1986 PRIVATIZATION PRO-POSALS

Once the government had declared its willingness to examine water privatization, it started a consultation process which followed the 'standard operating procedures' for processing political issues. On 1 April 1985 the DoE circulated a discussion paper to water authority chairmen and others, partly to buy time in view of the lack of preparation, and partly to gauge the industry's opinion before consulting more widely. At the outset the department had some notion of a core of groups, or of an established policy community. The restricted definition of its initial policy community had significant ramifications for the later development of water privatization policy. Indeed, it was the cause of the first controversy, as the government was criticized over the limited scope of the consultation exercise. In the government's defence, Lord Skelmersdale, whilst acknowledging that the discussion paper had been sent to water authority chairmen and to the chairman of the Water Companies' Association, pointed out that it was not a formal consultation document – neither was it confidential, as a copy had been placed in the Library of the House and was freely available on request to the department (HL Debs. 22 April 1985, col. 996). This reply suggests that the Department had a rather partial conception of who really mattered and that this led to a narrow definition of the policy community. The government believed that '. . .*the views of those most directly involved – the water authorities and the statutory water companies – will be particularly useful at this early stage*' (HL Debs. 22 April 1985, col. 996, emphasis added).

The DoE paper stated that operational activities could be privatized, and asked for views on 'whether it would be practicable to separate the operational and regulatory functions, and to transfer the latter to a public sector body set up outside government' (DoE 1985). The paper also sought opinions on whether 'pollution control and river management in general, together with nature conservation, recreation and land drainage, are best kept in the public sector, or whether it would be possible to impose them as obligations on the private sector operational bodies, with the setting and policing of these obligations to be carried out externally' (DoE 1985).

The Water Minister, John Patten, later revealed that the government received a total of 43 responses to the discussion paper of which 'seven supported the principle of privatisation and eleven oppose it. The remaining 25 commented on practical issues, without expressing a view on the merits of privatisation itself' (HC Debs. 16 Jan 1986, col. 680w). Leaders of the industry, represented by the Water Authorities Association (WAA) (now the Water Services Association [WSA]) were divided, but not sufficiently so for the Watts initiative to be stalled by opposition from his own colleagues. Despite the managerial enthusiasm for greater freedom, there was a reluctance to enter into controversial political territory. The stance was that the decision to privatize was a *political* one, whereas the practicalities of such a decision were of central concern to the industry. In so far as the WAA had

an official (public) view, in 1985, it believed that the authorities should be privatized as they stood, with their environmental, service, and regulatory obligations embodied in the general terms of the licences issued to each authority. Five of the RWAs wanted to oppose privatization if it meant losing the system of IRBM. The industry had to balance the advantages of greater financial autonomy against the disadvantages of possibly losing IRBM. The WAA's response to the government's discussion paper argued that: '. . .there is no clear line to be drawn between the operational activities of Water Authorities and the so-called environmental regulation functions. It would be quite wrong to envisage a structure which separates water resources from water supply, or pollution control from water resources'. The association rejected a suggestion that private authorities could not exercise regulatory functions. It argued that private authorities could operate under a licence system which would guarantee the public interest. Internally, however, the association recognized that privatizing *in toto* could lead to internal conflicts between commercial and regulatory objectives and that a new regulator might be needed.

The WAA's public response concealed important internal divisons. Thames was the most enthusiastic authority, whereas Welsh and North West opposed the proposals outright, and Anglian and South West questioned the likely benefits. However, the 'politics is not our business' formula enabled the pro-privatizers to keep the issue alive.

The 1986 White Paper, *Privatisation of the Water Authorities in the England and Wales* (Cmnd. 9734) stated that the RWAs were to be privatized *in toto*.

> The principle of integrated river-basin management. . .introduced by the Water Act 1973 will be retained. The water authorities will be privatised on the basis of their existing boundaries. . .and should continue to carry out their responsibilities for the management of rivers, control of pollution, fisheries, environmental conservation, recreation and navigation (DoE 1986, pp. 2–3).

Land drainage and flood protection were to remain under public control.

One key question is why the department did not recognize that the transferral of the regulatory functions to the private sector would be unworkable? Especially since the industry had (covertly) identified it as a serious problem. Several factors explain why such a situation arose. First, the department received no prior warning about the prospect of privatization from its ministers. Secondly, the industry was still part of the public sector, and enjoyed a high degree of *trust* from the department to conduct its affairs for the general good. In particular, it was assumed that existing laws were being fully implemented. Thirdly, the department had developed a genuine arms-length relationship with the RWAs. The RWAs were subject to financial constraints and 'second order' targets (for example, on reductions of operating costs) but were, as Sir Gordon Jones, Chairman of Yorkshire Water plc has described it to us, 'left on a fairly loose rein'. Fourthly, the department had reduced its commitment to detailed monitoring. Fifthly, the decision to retain regulatory functions within Water Service Public Limited Companies (WSPLCs) was explained by reference to the perceived benefits of IRBM. Sixthly, the department

was also very concerned to address questions other than the specific regulatory regime for water quality. It had a central concern to resolve broader regulatory issues (for example, financial regulation) relating to the question of how to control private monopolies. Finally, a more cynical view was that 'in reality it was dictated by the need to ensure that the Water Authorities would not themselves swell the ranks of those opposed to privatisation and by the Treasury's edict that the process must not result in an increase in public sector service manpower' (Ends Report 133, Feb. 1986, p. 10).

4. THE INTERLUDE: POLICY FAILURE AND EXTENDED CONSULTATION

The government faced a deluge of opposition to its proposals from bodies of varying degrees of influence, including the Council for the Protection of Rural England (CPRE), the Institute for European Environmental Policy (IEEP), the Country Landowners Association (CLA), the Institute of Water & Environmental Management (IWEM), the CBI, and the trade unions. Even MAFF was unhappy about certain aspects as its policy space was again being threatened. One obvious interest was the local authorities. In comparative European terms the expectation would be for local authorities to be significant policy actors. Not so in Britain. They had gradually been excluded from the sector and failed to seize this opportunity to re-enter the policy area, in part because of other more important concerns.

There were three decisive factors which forced the government to shelve its 1986 proposals. First, widespread opposition (in particular, the CBI) was important. Whilst the CBI argued that the RWAs were not the 'most natural' candidates for privatization, it nevertheless welcomed privatization, but rejected the proposed model. 'The CBI has substantial reservations concerning the privatisation of the water authorities' control functions especially those relating to environmental control. It would be inappropriate to transfer these functions to the private sector'. It argued that it was 'wrong in principle that one privatised company should exercise statutory control over the affairs of another private company'. (The CLA made the same point in its submission to the government). Secondly, Mr Ridley's arrival as Secretary of State in May 1986 was a major influence on events (see section 5 below). Thirdly, the legal controversy raised by the CPRE and the IEEP over the question of whether WSPLCs would constitute 'competent authorities' under EC law was a key issue. For example, Nigel Haigh, Director of the IEEP, had written to The Times on 13 May 1986, questioning whether the privatized water companies would constitute such 'competent authorities' pointing out that, unless this was resolved, the government could at any time be challenged in the European Court (The Times, 13 May 1986).

This issue seems not to have been adequately addressed by the government even though elements within the WAA had already anticipated that it could prove difficult to resolve. In the end, most participants finally recognized that water policy was subject to the same forces as other policy areas – namely 'Europeanization' – with a shift in the locus of power from Whitehall to Brussels. However, both the government and the majority of interests normally consulted in this sector were

slow to recognize the full implications of this shift, in terms of lobbying. Outsider groups were, in contrast, quick to exploit this potential (Mazey and Richardson 1992a and 1992b).

Ministers publicly claimed that there would be no doubt that the WSPLCs would be acceptable to the European Commission as 'competent authorities'. This view, however, was challenged by a leading European lawyer, Professor Francis Jacobs (commissioned by CPRE). He said that none of the relevant Directives clearly defined 'competent authority'. He concluded that

> the European Court, if the question were raised before it, might well decide that, at least in relation to some of the functions assigned to the 'competent authorities' by the EEC directives in the field of water pollution, the UK Government could not properly assign them to the WSPLCs (Jacobs and Shanks 1986, p. 18).

As Nigel Haigh argued, the crucial point which the Jacobs opinion made was that:

> . . .if the Government presented a Bill to Parliament giving powers to the WSPLCs to act as 'competent authorities' for implementing EC Directives, then it would be open to a public interest body (such as the CPRE) to raise the matter in a national court who would then refer the matter to the European Court under Article 177. The CPRE made it clear that they would do this. The Government therefore knew that they could not avoid protracted proceedings before the European Court which at least would cast a pall of uncertainty over any attempts to float the WSPLCs on the stock exchange. It was this point that shook them (private correspondence, 28 May 1991).

The European Commission issued a 'carefully worded warning' that the proposed transfer of pollution control functions to the private sector might be inconsistent with EC legislative requirements –

> The Commission does not know of any private body operating in a Member State as a competent authority under Council Directive 76/464 EEC (which deals with discharges of dangerous substances). . . .the Commission takes the view that the 'competent authority' in the sense of the said Directive can only be an authority, empowered by each Member State, which acts, in performing its functions, in the general interest (OJ No. L 129, 18.5 1986, p. 23).

It appeared that the competent authority had to be completely separate and independent from the recipient of its authorizations. This answer contradicted a parliamentary reply given on 17 June 1986 by the Water Minister. He said that: 'My Department has discussed our proposals for privatising the water industry with the Commission. We have no ground for believing that the water services plcs would not be accepted as competent authorities for the relevant purposes' (HC Debs. 17 June 1986, col. 502w). An internal report, circulated within the WAA in February 1987, suggested that one solution to the problem was for the government to create a separate body as a competent authority. The report warned the association that it should develop a fall-back position 'if the department [DoE] fails to maintain in Brussels that the WSPLCs could be competent authorities'. The

recognition of potential problems and the development of a fall-back position within the WAA remained a completely internal matter and the association continued to lobby the department for acceptance of WSPLCs as competent authorities.

The EC issue illustrates the *ad hoc* development of the government's plans. They were drafted without reference to this issue, and without effective dialogue with the Commission. The WAA pressed the government to settle the EC issue – either the DoE should clarify this situation with the EC, or the department should 'indemnify' the authorities against a possible charge in the courts. Only by late May 1987 did the DoE finally concede that the water authorities were unlikely to qualify as competent authorities and also that the gamekeeper/poacher role could not continue after privatization. The WAA believed that the gamekeeper/poacher difficulty could have been successfully combated, but that the EC issue could not be won if the 'DoE is no longer prepared to fight'. The WAA recognized the government's need to accommodate certain influential groups (for example, the CBI, and the CLA) and began looking for satisfactory solutions with them. Although it was an 'insider' group, it recognized that the issue might be processed within a much wider network. It therefore began to search for a consensus within this more extended network of policy actors.

As a result of strong opposition and the specific difficulty of the competent authority issue, the privatization of the water authorities was, therefore, postponed. On 3 July 1986 the Secretary of State for the Environment, Nicholas Ridley, stated that the department's consultations with the water authorities

> have shown that, while preparations for privatisation are well under way, more time is needed to prepare the necessary legislation. I have therefore concluded that we are unlikely to be able to introduce the Bill in the next Session... (However,) I reaffirm the Government's intention to proceed with water privatisation as soon as practicable (HC Debs. 3 July 1986, col. 1256).

The failure of the original proposal for the privatization of the water industry reflected an inappropriate choice of consultation processes by the government: the issue had been raised by the water industry, and it had been resolved by the government in close cooperation with the water industry. The perception that this could be processed under the 'standard operating procedures' within a restricted policy community was wrong, as other important policy considerations, such as the regulatory (and EC) issues, were not taken account of on a routine basis.

5. LONELY DECISIONS: INTERNALIZED POLICY-MAKING AND THE CREATION OF THE NATIONAL RIVERS AUTHORITY

After an initial process limited to core members of the water policy community, the policy development phase had seen very different patterns of interaction. The period of limited consultation was followed by a more open phase in which actors outside the normal policy community played an important role. The abandonment of the original proposals following this wider involvement was succeeded by a period when policy-making became 'internalized' (Jordan and Richardson 1982) i.e. the government virtually ceased consultations with the affected interests – even

with those normally part of the inner circle of groups. Thus, for a time, a *third* model of policy-making appears a more appropriate description of events. This presented the opportunity to resort to an 'impositional policy style' (Richardson *et al*. 1982, p. 13), even though it has associated risks if strong, established interests are likely to suffer.

The government's shift was, however, not simply due to the considerable external pressures being exerted on it. The change reflected much more closely the new minister's views. Mr Ridley was never keen on the proposals which he inherited from his predecessor Kenneth Baker. Mr Ridley was concerned by the notion of one private company having the power to prosecute another. The decision to slow down the policy process and eventually to establish the National Rivers Authority (NRA) was his alone. The lack of consensus following the original proposals created a policy space for ministerial initiative and an impositional policy style. Mr Ridley was the type of minister capable of seizing the opportunity. He was helped by the fact that a Paving Bill was needed in order to give the RWAs powers to prepare for privatization, in advance of the actual legislation. This gave the department a useful breathing space. Ridley, unlike his predecessors, recognized the 'intellectual first principle' that the environmental regulatory functions would have to remain under public control. It meant that he was prepared to impose a public regulatory authority on the privatized industry.

His single-mindedness was not the only factor which lead him to impose a radical solution. He recognized that the RWA chairmen had by then reached a consensus over the desirability of privatization. There had been a gradual shift of opinion within the WAA, with some doubters and opponents having become enthusiasts and others having left the industry. The regulatory question could be resolved by governmental imposition, providing that the industry was guaranteed the right to substantial involvement in the negotiations over the functions of the new regulatory body, and over many issues such as land assets, pensions and land drainage, all of which were crucial to the financial future of the privatized companies.

Mr Ridley was successful within the department for two main reasons. First, he did what all successful policy initiators must do – he focused a great deal of ministerial attention on a policy which he had defined as important. Secondly, the main focus of the DoE was shifted from local government matters to water matters, and a senior civil servant, Patrick Brown, who had worked with Mr Ridley on bus privatization, was transferred to the DoE. With departmental and ministerial concentration firmly on water, the government was able to impose the NRA on the industry whilst demonstrating a genuine willingness to *negotiate* on key points of detail.

In a letter handed to Sir Gordon Jones and WAA officials by Mr Ridley on 18 May 1987, he outlined his proposals for the creation of the NRA. (The public announcement of the creation of the NRA was made by Mr Ridley in an election speech to his constituents at Chedworth on the evening of the 18 May). His letter said that

we have proposed a substantial framework of governmental controls over WSPLC's exercise of their regulatory functions but this has not moved the opponents of this aspect of our policy from the view that so important a power of decision over the activities of others should not be placed in private hands. It is a view which I do not think can or should be resisted.

In informing them of his decision (namely that only water supply, sewerage and sewage disposal were to be privatized and that the NRA was to be established to regulate the environment) he set the new parameters for consultation. The following day a reference to the NRA appeared in the 1987 Conservative Party manifesto.

It is not surprising that the WAA was opposed to the creation of the NRA. Indeed, as late as November 1986 civil servants had been reassuring WAA officials that work was progressing and that there was no change of plan. Whether the civil servants could have said anything other than this is doubtful. If we may use a shipping analogy, the ship had undertaken a slow, quiet and private turn and it would have been difficult for the civil servants to signal this too early, until the final course had been determined. Even after the Queen's Speech in July 1987, the water authority chairmen issued a strongly worded statement which called on the government to abandon its plans to create the NRA. On this critical issue, the WAA had been moved from the inner to the outer circle of the policy process.

Thus the decision-making process on the creation of the NRA – undoubtedly one of the most important single issues affecting the future shape of the industry – failed to conform to either of the consultation models we have outlined. As we have indicated, there was no consultation over the actual change in policy, although the views of all interested parties (including those who wanted public regulation) were well known through their responses to the 1986 White Paper. This particular episode therefore shows a different style of policy making and demonstrates the close interrelationships between the style of policy making, and the substance of policy. The NRA was imposed by the government, but the industry concluded that privatization offered too great a benefit to be jeopardized by opposition to the NRA. In short, the government got away with an impositional policy style, and did so rather well.

6. HAMMERING OUT THE DETAILS: POLICY COMMUNITIES REVISITED

The WAA finally decided to accept the imposition of the NRA, and to play its full role in the decision-making processes relating to the many remaining issues to be resolved. By November 1987 the government had received 349 responses to its proposals to establish the NRA. Of that total, 179 supported the creation of the NRA, 39 opposed it, and 131 expressed no view but offered comments on aspects of its operation (DoE 1987).

The water authorities soon realized that a unified voice on major policy issues was vital in order to present an effective front to the department and particularly to the Treasury on negotiable matters of central concern. Responding to a Parliamentary question, Mr Ridley revealed that he had met Water Authority Chairmen on 25 June 1987 and that their meeting was 'friendly and useful', and that his plans had the backing of the overwhelming majority of chairmen. The
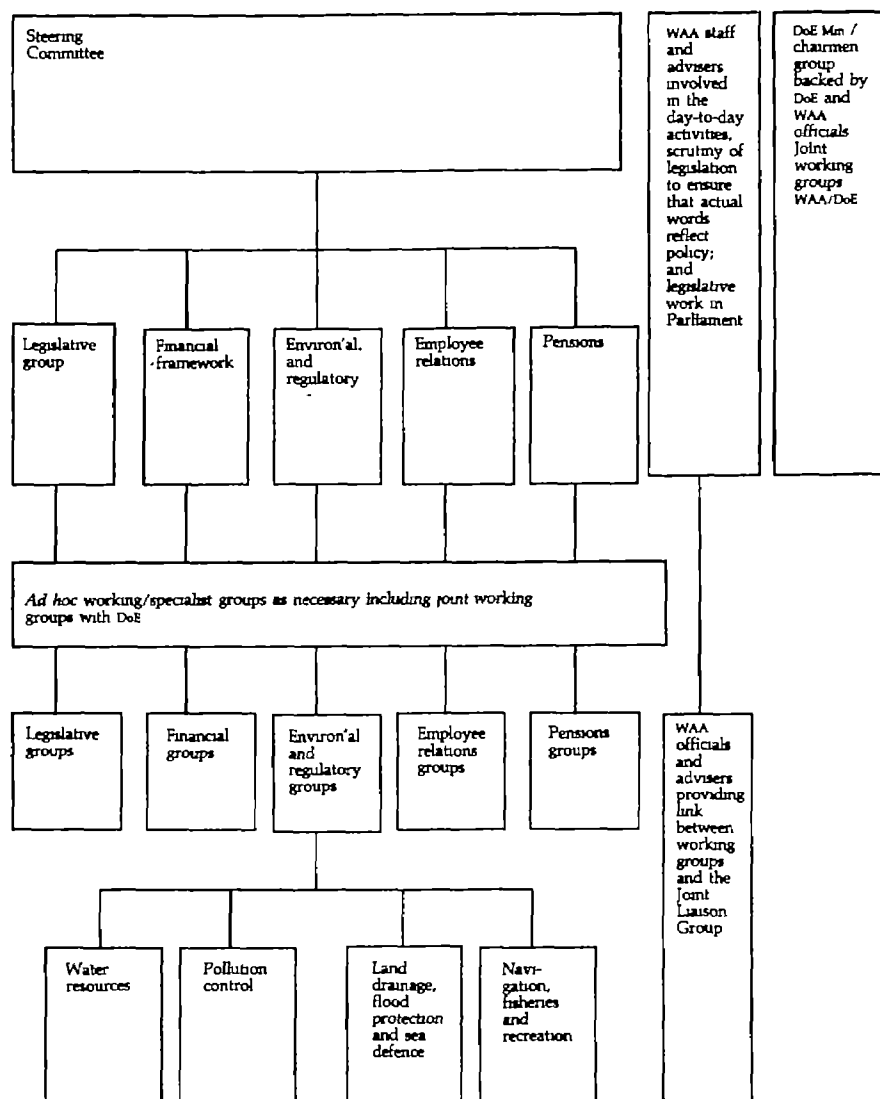
WAA regretted the lack of consultation, but wanted to 'move forward in co-operation with government, towards a quick and successful privatisation'.

The government had successfully brought the WAA back into the inner core of the policy community, via its switch from 'high' to 'low' politics (Hoffmann 1966). This was crucial because of the pivotal position of the water authorities vis-à-vis their role in both the flotation of the RWAs and subsequently in implementing privatization, and the need to maintain their public support for the main thrust of a controversial policy. The high political salience of privatization was being 'eroded' into a series of more manageable sub-issues which were bargainable. This had a number of advantages for both the government and the industry. Issues could be 'processed' in private in consultations between DoE and WAA officials. The proposals could be de-politicized and transformed into a series of 'technical' problems to be resolved by fellow professionals. When serious conflict arose – such as the proposals for the NRA – it could be prevented from 'spilling over' into other important issues within the privatization process. Having adopted an impositional policy style in deciding to set up the NRA, the government then had to shift back towards a more consensual and negotiative policy style in order to secure delivery of the policy as a whole. The litmus test which the government applied in these new negotiations was: 'Is there a concession which we need to make in order to achieve a successful flotation?' As with other privatizations, management support was still crucial to a successful outcome. Whilst the WAA was left in no doubt that a NRA would be established and that its basic functions were non-negotiable, the association was assured that the *way* in which the NRA exercised such functions remained open to discussion. The approach of the privatization date increased the pressure on the government to settle all remaining issues. A re-establishment of the rules of the game had occurred, and both government and industry moved forward on the basis of mutual self-interest.

The return to a negotiative style was reflected in the WAA's own handling of the privatization process. It 'unpacked' privatization into several manageable issues through the establishment of a complex intra-associational privatization policy structure which enabled the necessary expertise to be mobilized. The study group originally created by the WAA to 'consider critically the options for privatisation' had correctly concluded that '. . .an approach in parallel with the work being done in DoE is essential if Water Authorities are not to be disadvantaged when serious detailed discussions with Government are held'.

Two key fora kept privatization policy on course: the Ministerial/Chairmen's Group which decided policy; and the full-time staff at the WAA headquarters who handled the day-to-day issues as they arose, scrutinizing legislation after 'policy' had been settled. Contact between WAA/DoE officials was on a daily basis, and weekly progress meetings were held between WAA/DoE coordinators. In addition to the inter-governmental and other privatized utility links, the WAA established links with other influential actors. The WAA and the CBI agreed on the 'desirability' of a common front as far as possible in order to secure the 'best deal' for the industry and its business customers, and the WAA conceded to the CBI that it now favoured the establishment of a small NRA. It also attempted to cultivate links with the

TABLE 1   The WAA's organizational response to privatization (post 1987)

Steering Committee					WAA staff and advisers involved in the day-to-day activities, scrutiny of legislation to ensure that actual words reflect policy; and legislative work in Parliament	DoE Min / chairmen group backed by DoE and WAA officials Joint working groups WAA/DoE
Legislative group	Financial framework	Environ'al. and regulatory	Employee relations	Pensions		
Ad hoc working/specialist groups as necessary including joint working groups with DoE						
Legislative groups	Financial groups	Environ'al and regulatory groups	Employee relations groups	Pensions groups	WAA officials and advisers providing link between working groups and the Joint Liaison Group	
	Water resources	Pollution control	Land drainage, flood protection and sea defence	Navigation, fisheries and recreation		

National Farmers Union (NFU) and the CLA, and it lobbied all the main party conferences in an attempt to gain parliamentary support.

The WAA also closely scrutinized the activities of the main environmental groups involved in the privatization process. It had a small file on each group which included information on goals, staff, membership, annual budget, areas of activity, style, effectiveness and standing, key officials, priority issues, history of involvement, position, aims and plans, and their views on the water authorities. Thus, with the WAA privatization structure paralleling that of the DoE, with links with other utilities and with other central actors in the water sector (and in parliament); and with intelligence on groups active in the issue network and likely to oppose it on specific issues, the association was well prepared for the final stages of the policy process. It found that it was able to re-establish effective participation in the process, notwithstanding the issue network which had developed around the privatization issue. Often groups in the network lacked the technical expertise and were less likely to play a role in the implementation process. Hence they were at a disadvantage when the process of consultation was re-introduced.

In July 1988 after a lull in activity which allowed the chairmen to 'polish their aspirations', the Permanent Secretary at the DoE sent a letter to them demanding that they speak with one voice. The letter stated that 'unless over the weekend you sort yourselves out' the whole privatization package might be in jeopardy. It called on the WAA to establish a compact team consisting of a 'small number of people to *negotiate* with the Government'. The significance of the word *negotiate* was not lost on the WAA and it accordingly created a new small negotiating team which had daily meetings with DoE officials and weekly meetings with the chairmen. The WAA privatization structure was therefore further supplemented in response to the DoE. Following receipt of the letter from the Permanent Secretary to the Chairmen, the government announced on 20 July 1988 that the ten water authorities would be privatized in one single flotation. *The Financial Times* on 21 July 1988 reported that: 'Mr Ridley, (was) flanked by the ten authority chairmen in an unprecedented display of unity aimed at underlining close cooperation in the run-up to privatisation'.

The crucial period of reconciliation between the WAA and the government was, therefore, between July 1987 and July 1988. As the flotation approached, the RWAs secured a very strong bargaining position because they had to sign the prospectus for the flotation. They had every incentive to bargain for decisions which secured the financial position of the privatized companies. As the National Audit Office has subsequently noted, 'the Department took considerable care to establish financially stable companies that would achieve the profitability and cash flow requirements necessary for flotation' (NAO 1992, p. 8). Thus, the writing-off of the industry's £5 billion debts, giving the industry a further £1.6 billion 'green dowry' cash injection, costs-pass-through concessions relating to new legal requirements including EC directives, the possible costs of installing domestic water meters, and the beneficial corporation tax treatment which means that no water company is likely to pay mainstream corporation tax over ten years because of the billions of pounds of unused capital allowances available to be offset against pre-tax profits

– all suggest that the WAA lobbying was very effective indeed. The NRA issue was a defeat, but the rest of the package, as was privatization itself, represented a very good deal for the industry.

7. CONCLUSIONS: POLICY CHANGE AND THE TRANSFORMATION OF POLICY COMMUNITIES

In our case study, we found evidence for the heuristic usefulness of two concepts – policy community, and issue network – in understanding the process and outcomes following Mr Gow's response to Mr Watts' call for privatization. At times we can see a strong and stable policy community at work – with an inner core of groups closely involved in negotiating outcomes. On other occasions, we can identify a shift towards an ill-defined issue network which included groups not usually influential in this sector. The process became less predictable and for a brief period became 'internalized', even excluding the ultimate 'core' group itself – the water industry. This resulted in an imposed decision. Thus, we see a *shifting* pattern of policy-making in which one model is insufficient, over time, to describe the process. There appears to have been more than *one* characteristic policy process in this case.

How can we understand this seemingly chaotic change of policy styles? Why did the characteristics of the relationship between the government and groups change over time?

We believe that the seemingly chaotic and possibly episodic policy style in this period can be seen in the context of the gradual transformation of the policy community over a long period of time. The stable water policy community had begun to change in 1973/74 and during the managerial reforms which took place in the early 1980s. The problem with these reforms was that they did not create a new *stable* policy community. Given the destabilization of the original water policy community in 1973/74 (provoked by technological factors – designed to solve the water supply problems), it is perhaps not surprising that the 1986 privatization proposals did not emerge as the result of an agreed and strong consensus from the water sector. There had been legislative, organizational, and value changes within the industry. These may have been incompatible with value changes in the broader political environment, as pollution had again become a key issue in the public mind and water quality had become an especially sensitive problem. Consequently, the privatization proposals failed to win the support of actors outside the old policy community – both producer and consumer interests – who by then had begun to impinge on the policy process both in Britain and within the EC.

Despite these important *contextual* changes (seemingly unrecognized by the government), the process which led to the 1986 White Paper reflected the standard operating procedures which British governments often adopt for dealing with new issues. With the problem of privatization having been raised, the government responded by launching a consultation process involving what it defined as the 'relevant' actors. There was no radical change in terms of the *processes* involved, even though the content of the policy was radical. The 1986 proposals closely reflected the principles of 'bureaucratic accommodation' (Jordan and Richardson 1982).

The cost of the government's failure to recognize the legislative interests of other actors and the importance of the EC on this policy area played a very significant part in the failure of the 1986 proposals and the subsequent climb-down by the government. The consensus so newly created in the narrowly defined water sector was successfully challenged by groups outside the core water policy community. The water industry and the government seemed to be in some disarray and a policy vacuum emerged which was not filled by any new consensus – not surprisingly given that the number and type of groups involved had expanded into a more loosely defined issue network. The water industry seemed unable to extricate itself from this 'policy mess' as it stuck to the original proposal. The government was under considerable pressure to act with a General Election approaching. It was in this situation that a 'lone' and internalized decision was necessary in order to avoid complete policy failure.

The decision by Mr Ridley to create the NRA provided a solution to many of the government's problems: its privatization programme was rescued and the government could present itself as environmentally concerned. As to the water industry, the creation of the NRA was not what it wanted, but it was not such a threat to its own interests as to warrant outright opposition to privatization. Privatization without the NRA was politically not feasible, and by this time no one in the water industry seriously wanted to go back to the status-quo-ante which had existed in 1984.

The albeit grudging consent given by the water industry allowed the possibility of recreating a stable policy community through detailed negotiations, reinstating the water industry as the core participant. By that time, outsiders had lost any major role. The dynamics of the privatization process, the creation of a positive image to the general public, and to potential investors (especially to City interests who played an unpublicized but crucial role in the detailed negotiations) required the government and the water industry to respond to some of the demands of environmentalists. Trade unions and the radical anti-privatization groups had been and remained safely excluded. A consensus between the government and the industry was reached, privatization went ahead and was a commercial success.

The picture which thus emerges is one of the destabilization of an existing policy community, followed by the re-emergence of a more stable set of interactions. The policy community was still the chief focus of policy making: other consultations, such as those implied in the 'issue network' concept, played a role only when the existing policy community became unstable and a political void was left in its place. It is in the possible re-constitution of a new policy community that previous 'outsiders' may see their chance to influence decisions. But our evidence also points to the limits of influence: once a new consensus is established between the main client industry and the government, the policy area becomes relatively 'closed' again and the old patterns of interaction appear to re-establish themselves, albeit in the context of new institutions and new regulatory regimes. (In the implementation phase, these new actors [such as OFWAT and the NRA] are, of course, very much part of the new policy community.)

This case study suggests that, in itself, the destabilization and possible transformation

of policy communities facing new challenges cannot really be seen as a complete departure from established policy-making routines: there seems to be a natural tendency to maintain some continuity in British policy making even in the countless 're-organizations' of policy sectors. The process of policy community transformation, followed by the re-establishment of routines, could be seen as one of the chief learning exercises of British governments, and it is in this process that standard operating procedures are amended to suit new conditions. What needs to be addressed as a new research agenda is the question of whether the policy process is, albeit temporarily, chaotic or episodic, or whether we can identify general conditions under which the transformation of policy communities occurs. Alternatively, we may find that the apparent destabilization of policy communities in other fields (see, for example, Moon and Richardson 1984, Moon *et al.* 1986, and Smith 1991) augurs a new era of 'volatile' policy making.

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PUBLIC ACCIDENT INQUIRIES: THE CASE OF THE RAILWAY INSPECTORATE

BRIDGET M. HUTTER

For over a century the public investigation of railway accidents has been an important part of the Railway Inspectorate's regulatory activity. This article examines the circumstances and conduct of these inquiries, paying particular attention to their purpose and how this is influenced by wider social and political concerns. It also traces the Inspectorate's efforts to maintain the inquisitorial rather than accusatorial style of these inquiries and discusses their possible demise as a result of a growing tendency towards a legalistic approach to accident investigation.

Public inquiries have long formed the most visible aspect of the investigation of major accidents in Great Britain: notable recent examples include those following the sinking of the ferry 'The Herald of Free Enterprise' at Zeebrugge in 1987; the fire at King's Cross underground station in London in 1987; and the explosion on the Piper Alpha Oil Rig in 1988. It is the public inquiry as a means of investigating major railway accidents which forms the subject matter of this article. Public inquiries into railway accidents have recently been brought into sharp focus by the King's Cross and Clapham inquiries. These inquiries are interesting not just for what they have to tell us about the causes of accidents but also sociologically because they throw light on how enforcement agency activities – in this case the investigation of major accidents – are shaped by and respond to wider social and political concerns. The intention of this article is to examine what sort of railway accidents prompt public investigation and to describe the circumstances of these inquiries, their procedures, legal standing and aftermath. How are these inquiries conducted? What is public about them? And what are their role and purpose? In answering these questions I will draw on a four-year research project I undertook in 1983–87 into 'The Question of Compliance in Regulatory Enforcement' (see Centre for Socio-Legal Studies 1983). As part of this study I examined three inspectorates concerned with health and safety at work, of which one was the Railway Inspectorate. During the course of this research I attended various types of accident investigation undertaken by members of the Inspectorate – including

Dr Bridget M. Hutter is a Research Fellow at the Centre for Socio-Legal Studies, Wolfson College, Oxford and Senior Research Fellow in Sociology, Jesus College, University of Oxford.

several public inquiries – and I studied and discussed cases with the inspectors involved. In addition to this I spent several months accompanying members of the inspectorate and observing their work first hand.

THE RAILWAY INSPECTORATE

The Railway Inspectorate is the government agency responsible for overseeing the safety of the railways in Great Britain. At the time of my research it was part of the Department of Transport but also worked for the Health and Safety Executive on an agency basis. The inspectorate has recently been transferred to the Health and Safety Executive. It continues to advise the Secretary of State for Transport on passenger safety questions and Inspecting Officers continue to undertake accident inquiries under the 1871 Regulation of Railways Act as directed by the secretary of state.

The first Inspecting Officers of Railways were appointed in 1840 under the Regulation of Railways Act, 1840. The work of these early inspectors comprised the inspection of new railways and the receiving of information about railway accidents. It was not until the Regulation of Railways Act, 1871, however, that Inspecting Officers were authorized to hold accident inquiries. Thereafter accident investigation occupied a position of more central importance. In addition, the Health and Safety at Work etc. Act, 1974, led to a major change for the Inspectorate when the Department of Transport entered an agency agreement with the Health and Safety Executive. As a result of this agreement, checking the health and safety of the workforce on the railways became an integral part of the inspectorate's work. It was agreed that the inspectorate would enforce the Act on all statutory railways and tramways and on non-statutory passenger-carrying railways and tramways having a track gauge of not less than 350 mm. This was an additional responsibility for the inspectorate and one which led to the recruitment of new staff. The new staff were called Railway Employment Inspectors.

There is still a basic division within the inspectorate between senior, headquarters Inspecting Officers (previously known as Inspecting Officers) and Field Inspecting Officers (formerly known as Railway Employment Inspectors). The former hold the most senior positions and until recently there have been differences in training and background. Senior Inspecting Officers, who are based in the inspectorate's London headquarters, have traditionally been ex-Royal Engineers Officers. Field Inspecting Officers, who are regionally based, are chartered engineers with 10–12 years of relevant industrial and managerial experience, who tend to be recruited from British Railways. Recently, however, there have been some changes. First, the fact that the army has ceased to be a ready source of applicants led, in 1985 to the appointment of the first Senior Inspecting Officer with no career military background. Second, 1988 saw the appointment of the first Chief Inspecting Officer of Railways with no railway experience. These changes perhaps signal more fundamental changes in the character of the inspectorate. But there is no indication to date that accident investigation will cease to be of central importance to their work.

ACCIDENT INVESTIGATION

Accident investigation is a major activity of the inspectorate and one for which it is well known. Accidents on statutory railways are reported to the Inspectorate under the Railways (Notice of Accidents) Order, 1986. In addition, accidents to contractors' employees working on the railways are reportable under the Notification of Accidents Order, 1986. All accidents to passengers and other persons must be reported to the inspectorate, with the exception that those to railway or contractors' employees need only be reported when the injuries cause an absence from work for more than three days.

Accidents are reported direct to the inspectorate. Headquarters Inspecting Officers are informed by telephone in the event of a particularly serious accident, such as one involving a passenger train where serious or fatal injuries have occurred. Less serious categories of accidents are reported to the inspectorate on a monthly basis. Accident reports are initially processed at headquarters level, where it is decided which accidents to investigate and which type of inquiry is required (see below). Most members of the inspectorate undertake accident investigations of one kind or another. Senior Inspecting Officers tend to investigate the most serious train accidents. Field Inspecting Officers are most concerned to investigate the less serious train accidents and those involving railway personnel.

Railway accidents may be investigated either under the Regulation of Railways Act, 1871 or under the Health and Safety at Work etc. Act, 1974, section 20. The inspectorate has favoured the publicity which is encouraged by the 1871 legislation. Whereas the Regulation of Railways Act 1871 requires the publication of inquiry reports, the Health and Safety at Work Act, 1974, (which was the main legislation available to the other inspectorates in my research) imposes constraints upon publication. The Health and Safety Executive can, in certain cases, direct disclosure to the public of reports on incidents. Moreover, section 14 of the Health and Safety at Work Act, 1974, gives the Health and Safety Commission powers to direct that incident inquiry reports be made public. Nevertheless, these are the exceptions rather than routine practice. It is not a requirement of this legislation that accident reports are published. As the inspectorate is keen that its accident reports are widely read it is perhaps not surprising that they had this preference. Nevertheless there has been a shift of emphasis in recent years and most investigations are now undertaken under the Health and Safety at Work Act.

The public inquiries which are the subject of this article are 1871 inquiries, although it should be noted that while all public inquiries involving the railways are 1871 inquiries, not all 1871 inquiries are public inquiries (see below).

Accident inquiries under the Regulation of Railways Act, 1871, are formally ordered by the Secretary of State for Transport, although in practice the power to make this decision has been delegated to the Chief Inspecting Officer of Railways. His (the Railway Inspectorate is entirely male dominated) decision can be overruled either way by the Secretary of State although this very rarely happens. The Act requires the inspectorate to investigate the accident, determine its causes and submit a report to the Secretary of State for Transport, stating the causes and

circumstances of the accident and 'any observations thereon'. The secretary of state is then required to publish the report. To this extent all 1871 investigations are public: either the reports will be published by HMSO and sold to anyone interested in them or copies will be available from the Department of Transport upon request.

In the case of particularly serious accidents it has become the practice for the inspectorate to hold a public hearing of evidence in addition to the publication of the report. It is this type of inquiry which is the public inquiry for which the inspectorate is best known and which forms the focus of this article. The King's Cross and Clapham Inquiries are a more specialized form of the 1871 inquiry where the secretary of state orders a formal Court of Inquiry comprising a minimum of two appointed persons. In the case of the King's Cross Inquiry a QC was assisted by four assessors, one of whom was an Inspecting Officer of Railways. The role of assessors is to advise the Chair of the Inquiry on technical matters. In the King's Cross Inquiry the Attorney General also appointed a QC as Counsel to the Court to aid in the investigations. This form of inquiry is uncommon and in many respects atypical, and it is reserved for especially serious accidents. In fact there have only been four inquiries of this type since the 1871 legislation was enacted. The first was into the Tay Bridge disaster of 1879 and the second was the 1968 Inquiry into the level crossing accident at Hixon in Staffordshire. The third and fourth inquiries have more recently been held within a year of each other, namely the King's Cross Inquiry of 1988 and the Clapham Inquiry in 1989.

All types of 1871 inquiries have a number of features in common. First, all of these inquiries are formally ordered by the Secretary of State for Transport. Second, the results of the inquiry are publicly available. Third, the legislation does not specify how the investigation should be conducted. For example, the format of these inquiries and their procedures is not directed by the legislation, neither, with the exception of the formal Courts of Inquiry, is there a requirement that the inquiry be held in open court. But these matters are not entirely left to the discretion of individual inspectors as there is a well-established tradition attaching to this form of accident investigation.

THE DECISION TO HOLD A PUBLIC INQUIRY

Accident reports are received at the Railway Inspectorate Headquarters and a decision is then taken as to whether or not to investigate and which type of investigation to hold. There is no written policy about which type of inquiry to hold, but the decision to initiate a public inquiry is generally made in a variety of circumstances. These include a high level of public interest or concern following an accident: where there has been serious injury or fatality, especially when passengers have been involved or there are multiple fatalities; where there was the potential for serious injury or fatality; when passenger trains are involved in a serious accident; when there are fatal accidents at level-crossings; where there is the need for public reassurance; and where the circumstances of the accident are unusual and the cause unknown.

The Court of Inquiry held following the King's Cross Underground fire perhaps serves to highlight the coming together of several of the reasons which prompt

public inquiries. This accident involved multiple fatalities, including those to passengers; massive publicity attended the accident; the cause was unknown; there was a suspicion that there had been a breakdown in the systems for safety in addition to technical problems; and the need for public reassurance and possibly remedial action was of pressing importance.

Formal courts of inquiry are usually only considered when fundamental questions of policy are raised, especially when the role of the government's inspectorate is brought into question. The Tay Bridge was completed in 1878 and inspected by a Board of Trade Inspector who passed it fit for public use. Only a year later the bridge collapsed in a gale, carrying a passenger train. The subsequent inquiry therefore addressed not only the question of what caused the accident but the role of the inspector in allowing the bridge to be used. Likewise the King's Cross Inquiry raised fundamental questions of policy regarding acceptable fire precautions and procedures on underground train systems, questions which could conceivably draw criticism to the inspectorate which had accepted them. Moreover, the potential for far greater tragedy was another pressing reason for a wider review of the system than is normally offered by the usual 1871 public inquiry.

The reasons for holding a formal Court of Inquiry into the collision at Clapham on 12 December 1988 are more elusive. It is not clear that the accident did raise any fundamental policy questions. The cause of the accident was readily apparent and while the number of fatalities was not small there have been other accidents which have caused a greater number of deaths where such formal and widespread inquiry has not been deemed necessary. The reasons for the Court of Inquiry in the case of Clapham appear to centre more on the political climate. This accident occurred in the wake of the publication of the King's Cross Inquiry Report and at a time when a number of high profile transport accidents had caused transport to be the subject of much political and media attention. There is no doubt that the Secretary of State for Transport was under great political pressure and criticism and it seems likely that this formed a large part of the explanation for the selection of a Court of Inquiry to investigate this accident.

TABLE 1   Public inquiries held by Senior Inspecting Officers of Railways 1981–6

| | Year | | | | | |
	1981	1982	1983	1984	1985	1986
Number of public inquiries	8	6	8	10	4	8

Source: Annual Reports.

Table 1 gives details of the number of public inquiries held by Senior Inspecting Officers over a six-year period. Inquiries are also held by Field Inspecting Officers but these tend to be lower profile than those conducted by Senior Inspecting Officers. The reason for this seems to be that whereas Senior Inspecting Officers

usually hold inquiries into accidents involving passengers, Field Inspecting Officers are restricted to those involving railway staff and contractors' staff. Hence there is perceived to be little public interest in these inquiries. Certainly they are not always separately itemized in the Chief Inspector's annual *Railway Safety* reports. The extent to which public inquiries represent the tip of the iceberg of accident investigations is revealed by table 2. It should be noted that even these figures do not represent the full scope of accident investigation, since there are also several hundred investigations into other accidents each year: for example, in 1982 there were 299 such investigations, 262 in 1983 and 236 in 1984.

TABLE 2   Inquiries and investigations into fatal and serious accidents to railway staff by Field Inspecting Officers

	Year					
	1981	1982	1983	1984	1985	1986
Number of investigations	234	241	211	179	309	264

Source: Annual Reports.

PROCEEDINGS

Once the secretary of state has called for an inquiry a Senior Inspecting Officer is appointed by the inspectorate to take responsibility for the investigation. This officer is responsible for conducting the entire investigation. The public hearing of evidence forms a small part of the whole investigation, albeit the most visible and public part. Prior to this hearing the Inspecting Officer will have been engaged in a great deal of activity. For instance, he will have kept in close contact with the railway involved. In the case of British Railways a lengthy and thorough internal accident inquiry will be held and a great deal of time and money may be devoted to investigation. Some of these inquiries may be informed by the Inspecting Officer's requests. For example, he may ask for certain scientific tests to be undertaken and request the examination of equipment or vehicles involved in the accident. Indeed the Inspecting Officer may commission research and expert evidence either before, during or after the public hearing of evidence. He will undoubtedly consult with his colleagues to see if they have come across similar accidents and he may even contact foreign railways to see if they have experience of the type of accident subject to investigation.

The investigation into the derailment of a passenger train near Polmont on 30 July 1984 serves to highlight some of these points. The derailment was caused by a collision with a cow which had gained access to the line. The accident resulted in 13 fatalities and in serious injuries to a further 17 people. In the course of his investigations the Inspecting Officer responsible for the inquiry sought to reconstruct a precise account of what had happened; determine whether proper railway procedures were followed; establish whether existing arrangements were acceptable; assess the risks of a similar accident happening again; and whether or not remedial

action was necessary. The investigations to determine these matters were thorough and detailed. They included an examination of the rolling stock and site of the accident; extensive inquiries to determine whether there had been similar accidents; and contemplation of the more general principles raised by the accident. Consideration was also given to remedial action, and accordingly the feasibility and effectiveness of the varying alternatives were examined.

Intensive investigations also surrounded the King's Cross Inquiry. In the inquiry report, it is explained that in addition to the assessors to the Court, a firm of consulting engineers was appointed to advise on technical matters. A scientific committee was also set up 'to try and clarify the technical problems and, where agreement was possible, to arrange a programme of research. . .' (Fennell 1988, ch. 2, para. 7). In addition, numerous reports were presented to the Court from 31 different sources (Fennell 1988, appendix G).

All of these inquiries are important to establish the cause of the accident and to establish the probability of a recurrence. This may be especially important if there is a suspicion that a particular type of locomotive is faulty. Then there may be frequent and lengthy discussion with the railways to consider whether or not the suspect vehicle should be withdrawn from service until the inquiry is completed and the cause determined. For example, at the 1983 public inquiry into the derailment of a Penzance sleeper train at Paddington Station, the Inspecting Officer noted that he and British Rail had seriously considered withdrawing the type of locomotive involved in the accident. After careful consideration of the evidence, including that relating to the history of the locomotive, he had decided that this was not necessary but emphasized that if he heard anything to change his mind then he would be prepared to reverse this decision. In other cases accidents may cause the inspectorate to question and reconsider whole modes of operation, such as the push-pull operation of trains which was called into question by the Polmont accident. In addition to these investigations the Inspecting Officer is likely to undertake a site visit. By the time of the public hearing of evidence the Inspecting Officer may well have a fairly clear idea of the evidence and possibly of the cause of the accident.

THE PUBLIC HEARING OF EVIDENCE

Although the law does not specify any rules of procedure, Inspecting Officers do follow a well established format at the public inquiry. Prior to the hearing the date, time and place of the public inquiry are made known to those immediately concerned, namely the railway, the unions, those injured and, if there were any fatalities, the next of kin. Notices about the inquiry may also be put into the press if there is considerable public interest in the case.

On the day of the inquiry the Inspecting Officer is usually assisted by railway officials from departments related to the accident. Officials of the trade unions may also be present to help the Inspecting Officer and to protect the interests of their members. Both groups are allowed to ask questions through the Chair of the Inquiry. Solicitors and other representatives of those injured or killed may also be present. There is no obligation for them to attend and their interests are not

prejudiced by non-attendance. There are no legal rights of representation at the inquiry. But if representatives do attend the Inspecting Officer usually asks them to let him know of any issues they would like to be clarified. The Inspecting Officer will decide if they are relevant to his investigation.

The aura of the inquiry is one of formality and although the purpose and procedures are inquisitorial rather than accusatorial the event is likely to be an intimidating arena within which to present evidence. The witness faces the Inspecting Officer who is flanked on either side by railway officials. In the case of some witnesses these will, of course, be their senior management. Indeed the proximity of railway officials to the Inspecting Officer could symbolize to some a closer relationship than the inspectorate may intend.

A microphone will be placed in front of witnesses and an 'audience' of solicitors, relatives and other interested members of the general public will be present, usually seated behind the witness. Reporters are likely to attend these inquiries and the proceedings will be duly reported in the local and probably the national media. Inspecting Officers recognize that some witnesses may feel intimidated by the inquiry and they go to some lengths to put witnesses at their ease. They may have spoken to the witnesses before the inquiry and in some circumstances may be prepared to take evidence in camera; this is most likely when the witness may be giving evidence which is incriminating to him or herself.

The 1871 Regulation of Railways Act does not specify any fixed legal rules of procedure. Those in charge of more formal investigations are charged to hold their inquiries '. . . in open court in such manner and under such conditions as they may think most effective for ascertaining the causes and circumstances of the accident, and enabling them to make the report. . .' (section 7(2)). To this end the Court is accorded wide-ranging powers should it wish to use them, for example, it is accorded rights of entry and inspection to buildings; access to documentary evidence; and it may summon witnesses and administer an oath.

Despite the absence of fixed rules of procedure for any form of 1871 inquiry, an established format has emerged over the past century and to this extent Inspecting Officers are guided by a variety of 'informal' rules. The proceedings begin with an opening statement by the Inspecting Officer in which the inspector introduces himself. It is stressed that the purpose of the inquiry is to establish the cause of the accident and make recommendations which will prevent a recurrence. The fact that it is not a court which could determine legal responsibility for the accident is heavily stressed. Desmond Fennell, Chair of the King's Cross Inquiry, summarizes the point well:

> I made it clear at the outset that this was to be an investigation and not litigation: it was not a law suit in which one party wins and another party loses. It was quite different from the ordinary criminal process which is accusatorial in character. This Investigation was inquisitorial, to make recommendations which will make a recurrence less likely (1988, ch. 2, para. 5).

The opening statement is followed in the usual type of 1871 inquiry by statements from the railway officers which give details of the accident including information

about casualties; damage incurred; and the actions of railway staff and the emergency services. Then the main bulk of the proceedings begins with statements from witnesses and their questioning. The purpose of the inquiry is constantly kept in mind by the Inspecting Officer. He formally asks all of the questions and is in a position to allow and disallow the questions coming from others present.

The public hearing of evidence usually only takes up one day. Occasionally two days are required when there is a complicated case or when the results of the technical evidence are not ready in time for the first day. The Court of Inquiry into the Clapham Junction railway accident, however, heard evidence over a period of 56 days, whereas the inquiry into the King's Cross Underground fire made British legal history as the lengthiest public hearing yet held; the hearing lasted 91 days.

AFTERMATH

Once the public hearing is over it is the job of the Inspecting Officer to assemble, analyse and assess the evidence. He may still await the results of scientific tests or research so even once the public hearing is complete all the necessary evidence may not be available.

It can take many months for the inquiry accident report to appear and this is something for which the inspectorate is sometimes criticized. The fact that the results of tests may be awaited is often a cause for delay but so is the Inspecting Officer's workload. Public inquiries form just a small part of the Inspecting Officer's job and this reactive work has to be fitted in with his other duties. Moreover, if the accident has resulted in fatalities the Inspecting Officer will delay publication of the report until after the Coroner's Inquest so as not to prejudice the outcome of the inquest. Similarly the report will be witheld in the event of a prosecution resulting from the accident, when the publication of the report prior to the court hearing might prejudice a fair trial.

It is likely that several drafts of the report will be written and the officer will receive comments from his colleagues and possibly even the railways. It is certainly likely that there will have been discussions between the inspectorate and the railways before the publication of the report. Indeed the report's recommendations are often already in hand by the time of the publication of the report. The inquiry report may even note that the Inspecting Officer has discussed his proposals with the railway's management and that these proposals have been or are being initiated (see, for example, Department of Transport 1981, p. 11 and Department of Transport 1989, ch. 19, para. 42).

There are a number of reasons for the continuing contact between the Inspectorate and the railways' management. The railway, if it does not already know, will want to keep up to date about the possible cause of the accident and will most likely be responding to the Inspecting Officer's requests for further research and tests. Moreover, there is continuing close contact between the two in the normal course of events, not least because the Railway Inspectorate is virtually in the position of regulating a monopoly industry. Nevertheless, the inspectorate's dependence upon the railways is perhaps striking. Early in the proceedings they are dependent upon the railway for details of the accident; they continue to inform

the railway's research and testing into the accident; railway representatives sit with the Inspecting Officer at the public hearing; and towards the conclusion of the investigation the Inspecting Officer will often show the report to the railway before publication. Part of the reason for this undoubtedly is that the railway industry and the Inspectorate have a close working relationship. In addition to this the question of resources is relevant. On the one hand it is felt that there is little point in duplicating the testing and research which the industry is itself prepared and equipped to undertake. On the other hand, the inspectorate is insufficiently resourced to undertake the research itself. Commissioning outside consultants to undertake the full range of tests and research which may be required would also be costly, especially for an inspectorate which has been so under-resourced that it has had difficulties in even maintaining a full complement of staff because of poor rates of pay. But over and above all of these reasons is another related to the legislation, namely that the recommendations of the inquiry are not enforceable under the terms of the 1871 Regulation of Railways Act. Theoretically at least the railways could ignore the recommendations of the inquiry. The railways, however, usually accept and implement inquiry recommendations. In part this is because the Inspecting Officer does not write his report until he has had very thorough discussions with the railways about both the conclusions of his inquiry and his recommendations. At this stage it may be agreed to allow longer for minor items to be effected, although there would be no latitude in the case of major items and rarely, if ever, disagreement over such an issue from the railways. One recommendation which was not adopted was a recommendation following the report into the derailment that occurred at Bushey on February 1980. The Inspecting Officer responsible for the inquiry recommended that a study be made into how a fracture of a rail could be automatically detected. The railways felt that for technical reasons they could not adopt the Inspecting Officer's recommendations, partly because the issues were well known (Department of Transport 1981). An issue which was delayed, but not refused, was the adoption of Automatic Train Protection. The Inspecting Officer's report into the collision near Wembley Central on 11 October 1984, noted that the inspectorate was in discussion with the railways over the question of advanced warning signals and other aids to drivers (Department of Transport 1986). But it was not until the late 1980s that the railways actually started to prepare outline proposals for an Automatic Train Protection System. It should be noted that there were regular meetings between the inspectorate and the industry at which any problems with inquiry recommendations could be raised.

THE REPORT

The report of the inquiry is written up in standard, traditional style. It is formally addressed to the Permanent Under-Secretary of State for Transport. The language of the report is often stylized and reaffirms the role of the Inspecting Officer as civil servant. The content of the report is detailed and follows an established sequence. The first section is devoted to a description of the accident, including details of the site, the course of the accident, the train and track, if relevant, and the damage. The second part of the report concentrates on the evidence, including

that of witnesses and the results of technical examinations. The final sections comprise the conclusions and the discussion and recommendations. Site plans are usually incorporated at the end of the report and there may be photographs, graphs or tables to help explain particular points.

Inquiry reports are usually published by HMSO but this is not invariably the case: as the annual report into *Railway Accidents* for 1981 notes

'Inquiries were held. . . into 6 train accidents; they did not result in any passenger casualties and, because such cases seldom attract public attention, the reports have not been published by HMSO' (1982, p. 25).

In such cases copies of the reports are available from the Inspectorate, usually at no cost.

THE IMPACT OF INQUIRY REPORTS

The political responses to inquiry reports depend very much upon the severity of the accident. In many cases the publication of the report attracts less media and political attention than the inquiry. The Press and perhaps Parliament note that the report has been published but there is seldom the publicity that may have surrounded the inquiry, in particular the public hearing of evidence. The notable exceptions in recent history are of course the reports of the King's Cross and Clapham Inquiries. These reports were published in a blaze of publicity and the impact of both the inquiries and reports reverberated throughout the railway industry.

While neither report (nor any other that I am aware of) directly criticized government policy towards the railways there was political 'fallout' from the King's Cross and Clapham Inquiries, not least because the Courts of Inquiry recommended extensive and costly improvements. Financing these recommendations in the context of decreasing state subsidies led to criticism of the government and a promise from them that they would ensure that financial considerations would not obstruct the implementation of the recommendations. Whether or not this will result in adequate financial aid to the industry remains to be seen (*Guardian* 19 Feb. 1990, p. 20). Certainly these major accidents have raised safety on the railways up the political agenda but it is less clear that other less dramatic cases have any major political impact although they always serve as temporary reminders of the importance of maintaining safe railway standards.

Perhaps the greatest impact of inquiry reports is upon the industry. Within the railway industry, these reports are widely circulated and read. Indeed, the intention is that all accident reports will be distributed throughout the industry so as to reinforce the need for safety and to highlight any new problems that may have arisen. In many respects the report arising from a public inquiry may be too detailed for these more general purposes but some efforts are being made by the inspectorate to make their less formal reports more accessible to the workforce.

Accident inquiries also have their impact upon the Railway Inspectorate, largely because they take up a lot of inspectorate time. The Foreword to the 1988 Annual Report makes it very clear that 'The Inspectorate's main preoccupation in 1988

was to respond to the manifest public concern about railway safety in the aftermath of the King's Cross fire' (Department of Transport 1989 p. v). Indeed, the Foreword goes on to cite several examples of work which had been delayed by this accident and its aftermath. While these major disasters take up a large amount of inspectors' time it should be remembered that all accident investigation is costly in terms of agency resources. Indeed, the question may be raised as to whether resources are sometimes devoted to accidents to the detriment of the safety effort as a whole (Hutter and Lloyd-Bostock 1990, p. 421).

THE ROLE OF THE PUBLIC INQUIRY

The primary role of the inquiry is to determine the cause of the accident. This is usually achieved but there are exceptions. For instance, the cause of the collision of a London Underground train into a tunnel end wall at Moorgate station in February 1975, resulting in the death of the driver and 42 passengers, was never determined. More often than not, however, the direct cause of the accident is determined fairly quickly. There is some debate about how far these inquiries should go in examining some of the indirect or secondary causes of accidents. In the case of Railway Inspectorate-led inquiries the issue centres upon how often inspectors should go beyond the non-compliance of members of the workforce to consider the wider context within which they work. This would include, for example, consideration of the pressures and conditions to which the workforce are subject and the systems of rules and procedures instituted by the industry.

The limits of inquiries and their recommendations are problematic. In the cases of the King's Cross and Clapham Junction Inquiries there is some controversy over how widely the QCs responsible for the inquiries should have cast their investigatory nets. The legislation does not specify limits to the investigation, the boundaries are rather drawn by the investigating official's interpretation of the limits of their remit. In both the King's Cross and Clapham Inquiries the immediate circumstances of the accidents were fully investigated and to varying extents so were the railway companies concerned. The King's Cross Inquiry considered the organization, management and ethos of the London Underground whereas the Clapham Junction Inquiry paid more attention to those areas of British Rail which were involved in the accident, namely the Signals and Telecommunications Department and Southern Region. Both reports paid some attention to the activities of the Railway Inspectorate but beyond this both QCs drew the boundaries of their inquiries. Neither inquiry therefore considered the wider pressures upon the railway industry. So, for example, while the Clapham Junction Inquiry concluded that such factors as poor wages and poor morale amongst British Rail staff plus long hours of work and recruitment problems all contributed to the accident subject to investigation, the reasons for these were not probed (see S. Hall 1990). Likewise the King's Cross Inquiry criticized staff shortages amongst the Railway Inspectorate but the reasons for this were not examined. In particular neither inquiry paid attention to government policy towards the railways. Indeed both ruled financial limits upon the industry as beyond their jurisdictions. Desmond Fennell, QC, ruled that the funding of London Underground was *ultra vires* his investigation (1988,

p. 23). It is perhaps ironic that having written this Desmond Fennell did in ch. 19 of his report assert that there was no evidence that the overall level of subsidy was inadequate to finance safety. Similarly Anthony Hidden QC noted that 'The Court is unable to say whether or not the financial resources provided for training within the Signals and Telecommunications Department of Southern Region are not sufficient' (1989, para. 14.51).

A crucial aspect of the railway inquiry is that it is inquisitorial not accusatorial, its task is not to apportion blame but merely to determine the cause of accidents. This point is emphasized and re-emphasized by Inspecting Officers at the time of the inquiry: to witnesses; to next of kin; and in the report. Throughout the inquiry the purpose of determining the cause of the accident is paramount and Inspecting Officers strictly adhere to this by only permitting questions and representations which are strictly relevant to the investigation of the accident's cause(s). The inquisitorial as opposed to accusatorial style pervades the subsequent report. Nevertheless, individuals are sometimes inevitably named as the partial or even major causes of accidents. To this extent therefore blame is apportioned. The crucial point is that the inquiry itself is not a trial which attributes legal liability (see Hidden 1989, paras. 16.1–4).

The system is not entirely free of problems. There have been an increasing number of occasions when witnesses have been reluctant or have refused to give evidence. This is a direct result of the Prosecution of Offences Act, 1985, which has required the British Transport Police to submit all papers concerning a possible offence to the Crown Prosecution Service. Inspectors may summons persons to the inquiry and administer an oath but they are loath to do this, they prefer to have the co-operaton of those involved. Where there is a suspicion that the report may incriminate someone or influence any legal proceedings then the inspectorate is prepared to hear evidence in camera. Furthermore, the publication of the report may be delayed, for example, until after a Coroner's Inquest, where the Inspecting Officer may, in fact, be called upon to act as an Assessor. More importantly, it may be delayed until a decision to prosecute has been made and, should it be appropriate, until legal proceedings are completed. The 1988 Report on Railway Safety also notes that: 'Immunity may be granted to witnesses by the DPP' (1989, p. 6). But the report goes on to note that even this may not greatly increase the willingness of witnesses to give evidence to inquiries. All of this leads to the suggestion that the future of public inquiries may need to be reviewed, not least because their effectiveness in attaining two of their objectives may be in doubt, namely 'getting to the root causes of accidents and securing effective remedial action' (1989, p. 6).

Perhaps the most important purpose of the inquiry is, if possible, to make recommendations to prevent the recurrence of the accident. In the case of the King's Cross Inquiry Report, 157 recommendations were forwarded for consideration and the Clapham Junction Inquiry resulted in 93 recommendations. These covered a wide range of issues such as those addressing the immediate cause of the accident; recommendations to improve the response of the railway companies' staff, training, communications and management of safety and recommendations

about the role of the Railway Inspectorate. In both cases many years of costly improvements are involved.

The recommendations of inquiries such as these, and especially the one at Polmont, are the stuff of railway history. For it is largely as the result of these and the less public accident investigations that the safety measures and rules of the modern railway have been developed. Indeed it is no coincidence that the nearest one comes to a history of safety on the railways is Rolt's *Red For Danger* (1986) which is subtitled 'The Classic History of British Railway Disasters'. It should be remembered, however, that the recommendations of accident inquiries are not mandatory. While the railways do accept many inquiry recommendations the voluntary status of this acceptance must reduce the power of the inspectorate and encourage a persuasive approach to the implementation of some health and safety measures.

Both of these first two objectives – determining the cause of the accident and making recommendations to prevent its recurrence – could be, and usually are, achieved by a 'private' investigation. Indeed, the only difference between the public inquiry and any other form of 1871 investigation is the public hearing of evidence. The emphasis here is on the word 'public' for these hearings are as much for the public benefit as for inspectorate investigatory purposes. Indeed the whole rationale of these inquiries is to anticipate, respond to and even appease public and political concerns.

There are a number of reasons for this. First the public inquiry is a public statement that accidents are regarded very seriously. It is also intended as a demonstration that they are investigated thoroughly and fairly and furthermore, that remedial steps will be taken where possible. In this respect it is hoped that some reassurance can be offered to those using the railways. The importance of this role is perhaps highlighted by the fact that the majority of public inquiries relate to accidents involving passenger trains and it is these inquiry reports which are most likely to be published.

These 'functions' of the public inquiry not only pertain to the Railway Inspectorate, they also apply to the government. So they represent – symbolically at least – governmental concern about the accident and proof that something is being done in response to it. This is emphasized, of course, by the fact that it is the Secretary of State for Transport who formally orders the inquiry and it is to him or her that the inquiry report is eventually submitted. The inspectorate also underline these points in their presentation of the report by addressing it to the secretary for state and referring to themselves as 'obedient servants'. In some cases, however, the government is required to do more than demonstrate symbolic interest as with the extensive and costly improvements recommended by the Courts of Inquiry into the King's Cross and Clapham accidents.

In addition to all of this, however, it should be remembered that these inquiries are conducted by an inspectorate which has a strong preference for publicizing the results of its accident investigations. The Railway Inspectorate has a long tradition of making public its inquiry proceedings and findings and in this respect it is perhaps remarkably open in a system of government which so often appears to hide behind claims of confidentiality.

DISCUSSION AND CONCLUSION

Accident inquiries are undoubtedly an important aspect of safety on the railway but how important is it that the inquiry is public? This form of inquiry is more costly than other types of accident investigation and the resulting reports are perhaps more detailed than is strictly necessary. Indeed, the advantages of publishing the inquiry report are in many respects non-arguments because 1871 reports are generally available whether or not the hearing of evidence is held in public.

The advantages seem to centre upon the symbolic aspects of the public inquiry. It symbolizes the accountability of the railways, the Railway Inspectorate and ultimately the government. In the case of the latter the inquiry provides a very public indication that something is at least being seen to be done following a major accident. In the case of the railway inquiry we have seen that something is actually done and as a consequence much of the railway industry's systems for safe working originate from the retrospective inquiry system. So there is both impact in the form of safer practices as well as symbolic reassurance.

Throughout this article it has been shown how this form of public investigation is very much an institutionalized way of handling social and political concern about major railway accidents. These concerns permeate the whole investigation process, from the decision of what type of investigation to hold through to the publication of the inquiry report. The sensitivity to public and political concern is perhaps highlighted by the fact that it is accidents involving passengers and other members of the public which are most likely to invoke a public inquiry. The purpose of these investigations are illustrative of Reiss' statement about accident investigation:

> Both a manifest and a latent function of regulatory agencies when an accident does occur is to assure us that we shall find out why it happened and to assure us that it will not happen again. Manifestly, they should investigate to search for a causal explanation of the accident. . . or conduct research on harms that gain operating intelligence for those who may be thought responsible for the harm. Latently, such investigation protects the interests of organizations that are liable for harms and may indeed absolve a particular organization from liability. The terms of such investigations, as Perrow (1984) notes, are to protect organizational interests by holding individuals responsible for particular decisions. Latently also, such investigations and actions based upon them are intended to assure us that corrective actions will be taken (Reiss 1989, p. 400).

To the extent that these inquiries do tend to find individuals responsible for accidents the organization may be protected from liability although this is not necessarily the case as employers could in some circumstances be held responsible for the actions of their employees. What is more certain is that they do not threaten government policy and expenditure upon the railways and the way this might influence health and safety systems within the industry.

Arguably one major achievement of the Railway Inspectorate has been their success in maintaining their inquisitorial role despite the publicity which is likely to surround both the accident and the inquiry. There do seem to be good reasons for divorcing the investigation of the causes of an accident from the determination

of civil or criminal liability if it is at all possible. The main argument in favour of this division is that a non-adversarial atmosphere is likely to elicit the greater co-operation and even the greater accuracy of witnesses. Ultimately this, of course, increases the usefulness of the inquiry as is perhaps demonstrated by those occasions when key witnesses do refuse to cooperate and when the usefulness of the entire inquiry may then be called into question. However this inquisitorial style may well be at odds with prevailing opinion and procedures. As we have seen, the law and legal procedures are increasingly impinging on the system to the extent that witnesses, fearful of prosecution, are increasingly refusing to give evidence to these inquiries in case they incriminate themselves prior to a criminal trial. Indeed, this has led the Chief Inspector of Railways to question the usefulness of public inquiries as a form of investigation (Department of Transport 1989, p. 6, para. 4.2.2). Whether health and safety is best served by the type of inquisitorial style of accident investigation examined in this article or by a more accusatorial style, which seeks to apportion legal responsibility for accidents and hence may result in litigation, is of course a major research question. Moreover, it is a research question which cannot be easily answered.

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PLANNING AND CONTROLLING PUBLIC EXPENDITURE IN THE UK, PART II: THE EFFECTS AND EFFECTIVENESS OF THE SURVEY

COLIN THAIN AND MAURICE WRIGHT

Part I of this article [spring 1992] examined and explained the processes by which the Treasury plans and controls public expenditure through the Public Expenditure Survey. This second part analyses the survey's effects and effectiveness. Throughout we assess the survey by the extent to which the principal functions of planning, allocating, controlling and evaluating public expenditure are articulated and performed. We use four sets of criteria. Firstly, the survey is assessed as a means of regulating the interdependent relationships of the principal participants. Secondly, as a system for making decisions about public expenditure, the survey is judged by the extent to which it has enabled governments to achieve their broad spending objectives. Thirdly, the survey is assessed by the extent to which it provides directly for the participation of ministers collectively in the process of decision-making, and how they decide the relative priority of both the total of public expenditure and its composition. And fourthly, its effects are measured by analysing the outputs of the system – the allocation of spending to departments and agencies. In the concluding section we address directly the question of whose interests are best served by the survey.

Part I of this article described and explained the processes of making expenditure decisions through the Public Expenditure Survey (PES). In this second part we assess its effects and effectiveness in terms of the purposes which it serves, and the benefits and costs it confers upon the principal participants. Ultimately PES can be assessed by the extent and effectiveness with which each of the principal functions of planning, allocating, monitoring, controlling and evaluating public spending is articulated and performed. (We do not deal here with accounting to Parliament). These functions are perceived differently by the three main sets of organized interests represented in the survey processes since 1979: Conservative governments; Treasury ministers and officials; and departmental ministers and their officials. The dominant coalition of each of these organized interests has an individual perception of expenditure policy problems and issues: how it identifies, defines and thinks about expenditure policies – its 'perceptual schema' or 'appreciative system'. These

Colin Thain is a Lecturer in Politics at the University of Exeter. Maurice Wright is Professor of Government at the University of Manchester. The research upon which this article is based has been supported by the Nuffield Foundation, the Lloyd's of London Tercentenary Foundation, the Leverhulme Trust, and the Economic and Social Research Council (R000231395).

comprise both perceptions or appreciations of 'facts' and of values relevant to a policy issue. The three sets of organized interests share a mutual interest in maximizing those individually perceived values in conditions of mutually constrained interdependent relationships. The condition of doing so is agreement on a transcendental core value: the orderly, annual regulation of public spending policies within the accepted context of collective government.

No one measure of the effects and effectiveness of the survey is sufficient for our purpose. We use four sets of criteria, and they form the organizing framework for the rest of the article. First, we assess the effectiveness of the survey as a system for regulating those interdependent relationships noted above. Second, we assess the extent to which it has enabled governments to achieve their broader spending objectives. Third, we assess the extent to which it provides for the participation of ministers collectively in the processes of decision making, and how they decide the priorities of both the total of public expenditure and its composition. The fourth criterion is concerned with the measurement of the effects of PES through an evaluation of the outputs of the system to see which departments have won and which have lost as a result of the 'game'. In the conclusion we directly address the issue of whose interests are best served by PES and we return to an issue raised in Part I by commenting on how and in what ways PES can be seen as 'rational'.

1. THE SURVEY AS A REGULATORY SYSTEM

How effective is the survey as a system for making decisions about public expenditure? Or, to put it another way: how effective is it as a system for regulating the relationships of those who make decisions about public expenditure? PES is a universal system for deciding about public expenditure. This is an important advantage to both Treasury and departmental officials. All decisions about public expenditure issues are taken within the survey processes during the annual round, or by reference to it at other times of the year. When expenditure is committed by Treasury agreement 'in-year', outside the survey round, it is done so in the context of what has already been agreed in total or by programme allocation, or by claim on the Reserve for the existing year, or by reference to agreements on those categories for future years. When such commitments are made they are subject to review within the next survey. Although Treasury agreement may have been obtained, nevertheless a department has to bid afresh for that expenditure. There is no automatic right to it; the expenditure will be obliged to compete with other claims from the same department, and compete with bids from other departments. There are no off-budget expenditures, as is the case in the US and some other industrial countries, and in many developing countries. The survey is the focus for all expenditure decisions.

Universality underpins the effectiveness of the survey as a system for regulating the inter-dependent relationships of the insiders within the Whitehall expenditure community, principally Treasury and departmental ministers and officials. It brings them together and it keeps them together. There is a small, permanent, stable, cohesive and exclusive policy network focused on the survey processes. Membership is precisely defined by the circulation list of the *Survey Guidelines*, some 200

officials (and their ministers) from about two-dozen Whitehall spending depart-
ments. The inner core of key members is equally defined by the 'inner PESC' of
PFOs and senior Treasury Officials. Relationships within the policy network are
regulated by policy rules which determine the agenda of expenditure issues and
how they are handled, and behavioural rules which govern the conduct of the
members towards each other when they transact expenditure business. These rules
are prescribed formally and informally in the survey processes, for example in the
Guidelines, the rules for revaluing the base-line, the procedures for bidding, the
preparation of 'agenda letters', the conduct of the bilaterals, and so on. There is
also the tacit acceptance and observance of behavioural rules which determine the
kinds of information and argument to be used in support of bids, the mode of
exchange, and the use made of information thus obtained; for example rules about
legitimate inquiry, prior notification, reasonable and unreasonable behaviour.

The survey provides an efficient and effective means of regulating the expen-
diture business which Treasury and departmental ministers have to determine year
by year. The processes of deciding are known, clear, automatic and comprehensive
in their coverage of expenditure business. Both Treasury and departments benefit,
but not equally. The distribution of resources of authority, information and
expertise among them is asymmetrical and varies over time and by issue. For
example, the Treasury possesses latent resources of constitutional and hierarchical
authority which it draws upon infrequently, usually at a moment of great economic
or financial crisis. Even then its preferred strategy will tend to be·negotiative rather
than directive or impositional. Conversely, cabinet commitment to a new policy
initiative may enhance the statutory and hierarchical resources possessed by a
departmental minister and his officials. Informational and technical resources are
distributed asymmetrically too, and on any issue may be possessed in greater or
smaller amounts by the Treasury and departments, and used up or hoarded
according to preferred strategies.

Because the relationships are interdependent, all participants are concerned to
maintain them in a good state of repair while simultaneously seeking to maximize
their individual values on any issue. Outcomes are constrained by the need to ensure
that they are mutually acceptable: the objective is win/win rather than win/lose,
or at least the possibility of representing the outcome as the former rather than
the latter. The Treasury and spending departments are constantly engaged in a
trade-off between the values represented by certain preferred outcomes and those
of maintaining good and stable relationships. On some issues, and over time, some
players will win or lose more than others. But all will expect, over time, to win
sufficient to make the game worth playing according to the prescribed rules. In
a policy network, disaffected losers have two options: voice and exit (Hirschman
1970). The latter is impossible for organizations which departmental ministers and
officials represent, although individual ministers may threaten resignation or resign
on a particular expenditure issue. Where key players perceive that their interests
are disadvantaged by the current rules of the game they will use their 'voice' to
seek to change them, normally but not invariably within the network. The re-
definition of the planning total in 1988 and the separation of programme expenditure

from running costs in 1986 are recent examples of changes in the rules promoted by the Treasury which felt disadvantaged in its attempt to maximize its value of control. The introduction of the end-year-flexibility scheme in 1983 is an example of a departmentally inspired change in the rules, which arose principally from the frustration of the MOD and DOT that they were disadvantaged by the rules governing underspending on capital projects. The campaign to provide more flexibility in the provision of carry-over was conducted and sustained publicly outside the network, when it became apparent that the Treasury would not agree to a negotiated solution within it (Thain and Wright 1990c). Had more key members brought pressure to bear on the Treasury, it is probable that a scheme would have been introduced much earlier. Most, however, believed the benefits were only marginal to their interests.

While the Treasury normally has the initiative in the introduction of changes or new policy rules, for example the annual revaluation factor to be used in the up-date of base-line expenditure, or the efficiency savings on running costs, it needs the support and approval of the principal participants. Thus there are behavioural rules for changing existing policy and behavioural rules which incorporate notification, prior consultation, and discussion, even negotiation and bargaining. Even major changes such as the introduction of cash limits or cash planning have to be discussed and approved by, at least, the key members of the network. Departments may be irritated by the effects of some changes – running costs and management plans are two current examples (but not cash limits controls) – but their frustration and complaint are normally about conditions of uncertainty, for example in the preparation and subsequent use of management plans required by the Treasury under the new running costs controls, or the breach of unwritten rules of behaviour by some expenditure controllers who allegedly act 'irrationally', or without prior warning, or who use information acquired from departments' finance or policy divisions 'illegitimately'. Expenditure controllers have similar complaints of occasional breaches of the rules of the game by their opposite numbers in departmental Finance Divisions.

The stability of the policy network and its permanent, almost unvarying membership, its control of the agenda, and its rules of the game make it a highly effective means of regulating the relationships of those Treasury and departmental ministers and officials who make and carry out expenditure decisions. Effective is not optimal. Objection can be raised to the underlying premise that making decisions about public expenditure is about designing and operating a closed system to regulate relationships predicated upon interdependence. Alternative systems – more open, more inclusive – could be envisaged in which the role played by the central strategic co-ordinating authority was either more, or less, directive than that currently played by the Treasury. Here we confine our assessment to the purposes outlined earlier.

On its own terms the survey disadvantages 'outsiders'. Parliament and its committees participate only at the conclusion of the survey processes, when the Autumn Statement is published in November. Their contribution to those processes in the preceding ten months is negligible; at best, they may hope to have an indirect influence through the scrutiny and examination of past expenditure plans.

Ex post-facto accountability, for example through the Select Committee on the Treasury and Civil Service, has had some influence on those processes. There the annual examination of Treasury ministers and officials provides the opportunity for discussion about a whole range of survey issues, and in several cases prompted important changes of both substance and procedure.

The survey processes are neither open nor transparent. Neither Parliament nor the public has any direct share in the decision on the size of the planning total, announced in July as a *fait accompli*. The contents of bidding and agenda letters are not divulged nor the Treasury's reaction to them. Bilaterals are conducted in secrecy, the only clue to the issues and size of disagreement provided by occasional strategic leaks to the media employed by both sides to enhance their bargaining positions. The November planning total and the Autumn Statement are published as *fait accompli*.

Public spending authorities excluded from the network are *prima facie* disadvantaged. Local authorities, public corporations and Next Steps executive agencies deal mainly with the Treasury at second-hand, indirectly through their sponsor departments. They do not bid directly, nor negotiate with the Treasury Expenditure Divisions, nor participate in ministerial bilaterals. Above all, they do not help to make and shape the rules by which the business is conducted. Complaints from local authorities and their associations at their exclusion from the survey processes are long-standing and continuous despite, or because of, their subsidiary role in the decisions on the aggregate levels of local spending. The consultative councils have not met since 1980. The absence of direct representation by public corporations and Next Steps agencies is a cause of similar expressions of frustration and frequent complaint that their case is not always adequately presented or firmly argued by their sponsoring departments. It is impossible to determine whether the lack of 'insider status' means that they are losers from the system.

2. THE ACHIEVEMENT OF GOVERNMENTS' OBJECTIVES

How well or ill have Conservative governments been served by the PES system since 1979? To answer that question we need to ask what those governments required of it. To begin with, the Conservative government of 1979 had a clear policy objective, to reduce public expenditure in real terms by 4 per cent over a four-year period, 1980–84 (See Thain and Wright 1990a). The first PES round in 1980 was conducted with that objective predominant. It was the first occasion in which cuts in expenditure were negotiated within the PES round rather than *ad hoc* through the familiar mini-budgets of cuts and squeezes which characterized Labour governments in the late 1970s. The Conservative government's objective was achieved in the planning of public expenditure as expressed in the planning totals announced in the Public Expenditure White Paper (PEWP), but not realized in practice. The outturn of public expenditures exceeded planned expenditure by 2 per cent in volume terms (5 per cent in cost terms) in 1980–1 and by 2 per cent in cost terms in 1981–2. The reason for this was partly the methodology and price basis used in the PES system which provided through the planning of volumes of expenditure at constant prices for the revaluation year by year of inputs negotiated

between the Treasury and the departments. As the prices of those inputs rose, so too did programme allocations and the planning total. At the same time, public sector pay, effectively indexed against inflation through the then existing system of pay bargaining, together with the effects of the Clegg comparability exercise, meant that control through PES was inadequate. The Conservative government's response to this failure was the abolition of the machinery of civil service pay bargaining through the Pay Research Unit and the introduction in 1982 of general pay factors, which proved mostly but not invariably to have under-estimated inflation and hence squeezed pay and the costs of providing services. At the same time the introduction of cash planning switched attention from volumes or inputs to performance and outputs. Two years later in 1984, in the wake of the unplanned increases to expenditure which occurred in 1982–3, the Conservative government scaled down its policy objective from a reduction in real terms to one of reducing public spending as a proportion of GDP.

In the period 1984–90, the Conservative government has been well served by a PES whose processes give greater emphasis to deciding and controlling the aggregate planning totals. But as PES has been changed to reflect the demands made upon it to secure better control of those aggregates, so those demands in terms of policy objectives have been further scaled down. The objective of reducing the GGE/GDP ratio was later changed to one of holding the ratio constant, and since 1990 to achieving stability over the medium-term period, an admission that in some years the ratio might rise. Thus the effectiveness of PES to achieve the Conservative government's objectives has to be measured against those changing objectives. As figure 1 shows, the government can claim success in the achievement between 1984–9 of a falling ratio, but the years were those in which GDP grew at historically high rates, thus enabling pressures for more public expenditure to be accommodated without increasing the ratio. Whether that can be sustained in years when economic growth slows as in 1990–1 remains to be seen (HM Treasury 1991a). The ratio for 1991–2 is planned to increase to 41½ per cent from 40½ per cent in 1990–1.

Systemic effects

To what extent does the survey system predispose particular types of outcome? More narrowly, does the survey have in-built bias? The significance of this for our discussion of effectiveness is that if there is bias, the distribution of any consequential benefits conferred or disadvantages experienced as a result may make it more or less effective as a planning or control system. In other words, independently of the objectives of the government and Treasury officials, the design and operation of the survey system may bias the results in particular ways. We limit our analysis to system-wide effects; the effects on individual programmes requires a more elaborate and extended analysis of the kind conducted by Dunsire and Hood for the period 1974–85 (Dunsire and Hood 1989). We return to this issue later.

If we compare the effects of the introduction of cash limits and associated changes in Treasury and departmental financial management systems in 1976 with the pre-existing survey system *pace* Heclo and Wildavsky, it was easier for spending departments to win than lose. This was so for two main reasons, first, once new

FIGURE 1   *Public expenditure as a proportion of GDP 1965–94*

General government expenditure (excluding privatization) as a % of money GDP

Per cent of GDP
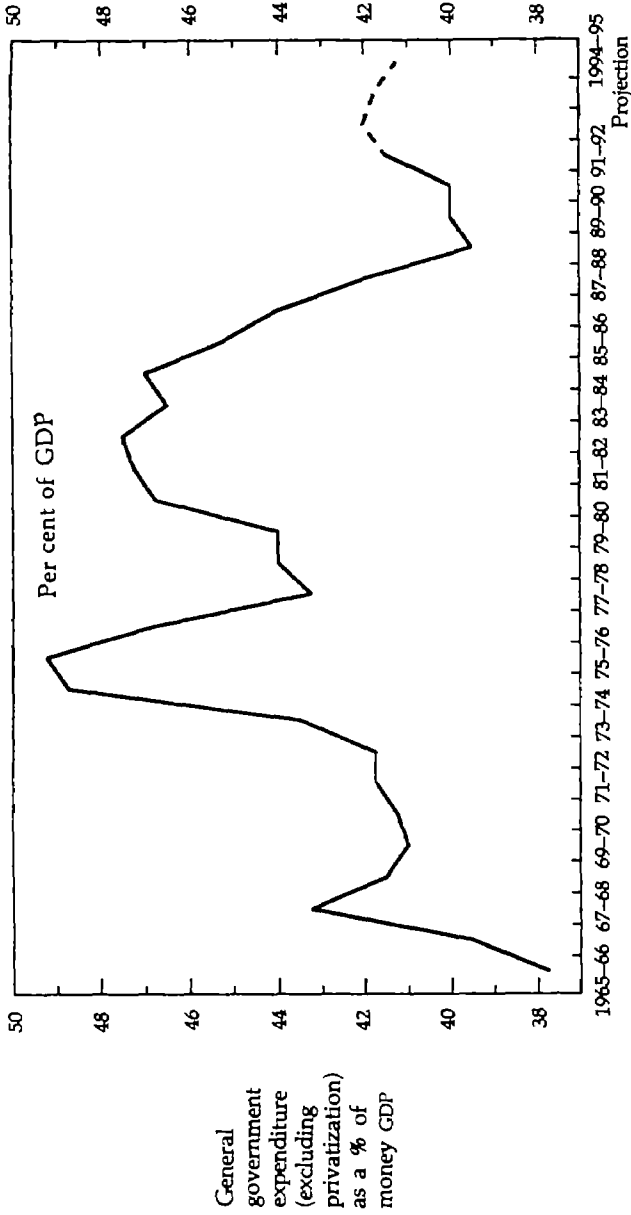
Source: HM Treasury Autumn Statement 1991. Cm. 1729, p. 6.

expenditures had been incorporated into the annual survey through the then PESC processes it was difficult for the Treasury to get them out. Spending departments could exploit the system to gain and maintain advantage, in addition to the political priority that any programme might be accorded in a survey round. The rules of the game of expenditure politics before 1976 were such that there were few losers among the spending departments. A major cause of this was the second factor, the method of costing the prices of goods and services in unique survey prices related to volume-inputs. With hindsight, it is obvious enough that volume-planning was inherently expansionary. Departments were able to finance an agreed planned volume almost irrespective of its money cost. The inability to distinguish increases in real terms costs from increases in volumes enabled departments to grow their programmes. These were not the only causes of the growth of public expenditure before 1976 (see Peacock and Wiseman 1961; Heald 1983) but the in-built expansionary bias of the survey system was a major contributory factor.

Very different systemic effects were said to be observable in the years 1976–8 following the introduction of cash limits. A common criticism at that time was that the operation of the new control regime, in conjunction with an explicit pay policy for public sector employees, had the effect of constraining the growth of public expenditure. Evidence for this new negative bias in the system was apparently provided by a decline in total public spending for 1976–77 and 1977–78 greater than that planned by the Labour government. It was argued (see for example, Heald, 1983) that the implementation of cash limits resulted in 'back door' cuts in programme allocations. As costs of those programmes incorporated target figures for pay and prices set below the estimated rates of inflation, those unable to achieve sufficient efficiency gains to compensate for loss of resources experienced cuts and squeezes. Added to this was greater uncertainty about the impact of the new regime on cash flow: managers were understandably cautious in controlling cash flow to avoid breaking the new limits or running out of money before the end of the financial year.

The effects of that proclaimed in-built negative bias were soon overshadowed by the resumption of growth as the Labour government returned to the more familiar policy objective of expanding programmes in the run up to the 1979 General Election. Cuts made to placate the IMF were restored, public sector pay policies collapsed, and line managers became more experienced in delivering nearer to the cash limit.

Cash limits were introduced at a time when cuts in public expenditure were enjoined upon the Labour government by the crisis conditions of 1975–6. Their conjunction obscured the extent to which cash limits and the tighter financial discipline implied by the concurrent changes in ·financial management systems introduced a negative bias into the survey processes. If we take a longer time-horizon, beyond the years 1980–84 when the Conservative government tried to cut the aggregate in real terms, we can better estimate the effects of cash limits in times of intended and unintended growth as well as decline.

Since 1976 Treasury rhetoric has consistently and persistently emphasized that cash limits are immutable, and that managers must learn to manage their

programmes within them. Treasury practice has proved otherwise. From the outset, the fears of spending departments and their sponsored agencies and organizations that prescribed cash limits could not be revised in-year proved groundless. The need to accommodate additional expenditure pressures, and to provide for more managerial flexibility in operating programmes belied its own tough rhetoric. This is not to deny that cash limits imposed a tougher discipline of financial control in which line managers were expected to live within prescribed cash allocations. Nor to deny that line managers and street bureaucrats in local authorities, hospitals, and schools frequently exhausted their limits before the end of the year and often received no supplementation: tightly set cash limits have imposed real terms cuts and squeezes. But these effects of cash limits are due less to the prescription of *fixed* limits than the allocations negotiated by spending departments with the Treasury which they incorporate. Cuts and squeezes which resulted from the implementation of tightly drawn cash limits were the result of (perceived) inadequate allocations, and the failure to persuade the Treasury to agree to revise the original cash limit when line managers were in danger of exhausting their allocation before the end of the financial year. What was different was the ending of the automatic entitlement to additional expenditure (through Winter and Spring Supplementary Estimates) to finance a previously agreed volume expenditure.

Cash limits derive directly from the programme allocations negotiated with the Treasury; they are not imposed upon departments, although it is true, until their abolition in 1986, that the pay and price revaluation factors which were incorporated within them were non-negotiable, and in most years, deliberately or otherwise, underestimated the rate of inflation and hence imposed a squeeze. But cash limits were not primarily intended to be used as a means of cutting or squeezing the public expenditure aggregate. Their prime objective was to ensure that the Treasury could control the outturn of cash limited expenditure and deliver the total planned. The argument that cash limits also constrain public expenditure is tenable only if it could be shown that their effect is to hold down expenditure below levels fixed in the limits. That they constrain the growth of public expenditure beyond the limits fixed is true and is their *raison d'etre*. If prescribed cash limits remain unchanged, and line managers obliged to live within them whatever the local (or macro-economic) pressures for additional or new spending which might arise in-year, then it could perhaps be argued that, as operated, inflexible cash limits had introduced a negative bias into the system. In practice very little such bias exists. Pressures for additional spending in-year, and the need for flexibility in the management of programmes have obliged the Treasury, *from the outset*, to allow cash limits to be revised. Changes are common, not exceptional; most are to accommodate increases to programmes (see Thain and Wright 1988).

In one important respect however, the operation of cash limits controls does have a negative effect. The evidence is unambiguous: underspending on the aggregate of cash limited programmes is a persistent and consistent phenomenon. Each year between 1 per cent and 2 per cent of total cash-limited expenditure on central government programmes is underspent, equal in some years to more than £1bn. of public spending. Underspending on cash limited local expenditure (mainly

capital) and the EFLs of public corporations has occurred also, but less regularly. The phenomenon of shortfall, as it was once called, is not new or peculiar to cash limits. It has been associated with the survey from its inception. Until 1983 an estimate was included as an off-setting item in the planning total. The causes of underspending vary (for an analysis see Thain and Wright, 1988). While aggregate underspending is fairly predictable its incidence within and between programmes is random and hence cannot be provided for in setting cash limits for individual programmes.

The phenomenon of underspending on cash-limited programmes benefits Treasury ministers and officials seeking to control the aggregates of the planning total. Underspending is added to the Reserve, which together with additional (above £5bn.) privatization receipts provides a bigger cushion for spending. It also provides a substantial off-set for any over-spending which occurs elsewhere on non-cash-limited programmes. It is then an important means of obtaining a better control of the aggregate planning total. It is arguable whether the Treasury encourages underspending by departments through the operation of a tacit norm that depart-ments should aim to deliver an underspend of about 2 or 3 per cent on their cash limit. Treasury officials admit only that the Treasury 'acquiesces' in the under-spending. Predictable aggregate underspending also enables the Treasury to provide more flexibility in the system without the risk of loss of control. With a regular and predictable cushion of aggregate underspend (in some years more than £2 or £3bn.) it can respond to pressures for additional spending in-year by agreeing to changes in cash limits without the risk of exceeding the planning total. Spending departments benefit from that greater flexibility; governments aiming to control the growth of total public expenditure benefit – additionally in times of economic constraint from an unplanned reduction in the provision and consumption of collective goods and services. Some spending departments and agencies lose from this negative bias. Unspent allocations on cash-limited programmes are not rolled forward, to be added to next year's allocation, except in the special circumstances provided by the capital end-year-flexibility schemes introduced in 1983 and running costs end-year flexibility scheme introduced in 1988 (Thain and Wright 1990c). The eligibility of expenditure items on which unspent allocations may be carried forward is strictly defined under those schemes, and the aggregate effect of the carry-forward does not substantially limit the advantage to the Treasury of the aggregate underspending noted above. Consumers lose, denied at the margin a legitimate expectation of an allocated quantum of public expenditure.

More control, less planning and allocating

The broad expenditure policy objectives of Treasury ministers and officials are inseparable from those of the government of the day. But both Treasury ministers and officials help to shape and determine those objectives, the rate at which they are achievable and the means to be used. Of course, there is no sharp line demarcating means from ends, implementation from policy. In the pursuit of the government's general expenditure policy objectives – to increase or decrease public expenditure in real terms or to maintain or achieve a targeted ratio of General

Government Expenditure (GCE) to GDP – Treasury ministers and officials may be more or less successful using the means available to them and adopting tactics of one kind rather than another. The survey processes described in Part I of this article are of course the main means available to the Treasury to help a government achieve its objectives, and we may ask how effective they are in enabling the Treasury to help the government achieve its objectives.

The Treasury's historic and continuing 'mission' (Greenleaf 1987) is to control public expenditure. Its traditions and values are those of a central strategic co-ordinator whose purpose is to provide resources to enable spending authorities to discharge efficiently and effectively their statutory obligations to provide goods and services, while protecting the interests of the taxpayer by ensuring that those resources are used economically and effectively. As the financing of the bids to provide those goods and services inevitably and invariably exceeds the resources which chancellors believe prudent or necessary to devote to the public sector as a whole, control also means limitation and constraint. At certain times it may mean, and has meant, reductions in real terms. By tradition, belief, disposition and habit of work the Treasury's values are those associated with economy, the elimination of waste, and above all the protection of taxpayers' money. While this may be obvious enough, it is necessary to emphasize it here because the argument is that Treasury ministers since 1979 and Treasury officials since the mid-1970s have through the PES, and 'in-year' control procedures outside the survey, reasserted those traditional values. The period of the 'high-noon' of PESC, roughly 1968–74, in which uncharacteristically the Treasury presided over the rapid expansion of public expenditure is perceived by the official Treasury to have been a disaster. While responsibility for the 'crisis of control' which followed in 1974–6 is disputed – both profligate Conservative and Labour governments of the early 1970s with unachievable economic growth rates, and a survey system which indexed the public sector against high rates of inflation contributed – the Treasury was blamed for its inability to restrain growth.

The introduction and imposition of cash limits marked the end of the expansionary phase of public expenditure which the Treasury had presided over since the commitment of the Macmillan government in the late 1950s to expand the public sector. Plowden and PESC which followed were the instruments, the means by which decisions about the growth of public expenditure were to be regulated. With hindsight it represented a radical departure from the Treasury's traditional attitudes towards public spending, and one of failure. Treasury officials have written, and continue to speak, of the failure of control in the mid-1970s, and the urgent need to re-establish and maintain it. The changes made to the PES and its operation need to be assessed against that background.

Changes to the survey since 1976, but more especially since 1982 have emphasized the need to obtain a better, tighter control of expenditure. We discussed the abandonment of volume planning and the switch to cash planning in Part I. Changes made then to the methodological rules regulating the price basis were reinforced in 1984 by the redefinition of the Reserve and its use since then as a major tool of control. It provides graphic evidence of the devaluation of the planning and

allocating functions in the survey, and the pre-dominance of the values of monitoring and control.

The Reserve

The changes made to the Reserve since 1984 raise a number of questions about the effects of its use in the planning and control of public expenditure. First the changes were necessary because the Treasury needed to improve its control. As the estimating of non-discretionary expenditure became a more uncertain exercise in the mid-1980s, it became more difficult to predict what the outturn of total planned expenditure would be, and to ensure that outturn matched plans. The Treasury needed to provide for uncertainty in order to make public spending planning totals more realistic, as the Treasury Under Secretary in charge of the General Expenditure Division admitted to the Treasury and Civil Service Committee (1985, q. 147). If larger amounts of expenditure are left unallocated within a planned total, and the unallocated amounts are substantial in size, it is easier to control total outturn within a pre-determined planning total, provided the margin is ample enough.

The provision of a larger Reserve, and more realistic planning totals, raises questions of the costs of the improved control thereby obtained. The most obvious cost might be an increase in the size of the total planned expenditure. If the government's aim is to reduce that total in real terms, or as a percentage of GDP, opting for a larger Reserve might be a high risk strategy if the total of planned expenditure 'rises' to accommodate it. A smaller Reserve has the advantage that the planned total will be lower, but with the risk that it will be exceeded. A larger Reserve is disadvantageous only if it is additional to the planning total, as was the case until 1984. If, however, it is used to finance a larger proportion of planned increases, then the planning total may not 'rise' significantly, and the larger Reserve ensures less likelihood of overspend.

A further cost of improved control through an expanded Reserve is that proportionately less of the provision is allocated to departments' programmes. For example, in the financial year 1988–9, almost 2 per cent of the planned growth in real spending is unallocated. As in practice the allocation of that Reserve is not made on a proportionate basis, some programmes will grow by much larger amounts. For future years, the programme allocations are less reliable still as predictions of what will happen. The proportion of unallocated to allocated expenditure in those two forward years is much greater still. In the plans for 1990–91, nearly 4 per cent (£7bn.) of the planning total remained unallocated, while for the following year it was 5½ per cent, (£10.5bn.). The growth in real spending in any particular programme for those years could be very much greater than planned in the White Paper when the Reserve is eventually allocated. The growth rates for individual services in those years, which in most cases are small or negative, are virtually meaningless as indicators of what is likely to happen, 'and indeed what the Government plans to happen, to real expenditure' (Ward in Treasury and Civil Service Committee 1988a, appendix 2, para. 30). Moreover, as the planned distribution of expenditure is changed with the roll forward of the

Reserve, and a part of it allocated, it becomes impossible to verify *ex post* whether or not the planned distribution of expenditure between services had been achieved (appendix 2, para. 31).

It is difficult to resist the argument that less public expenditure is planned: a larger proportion of the planning total is unallocated to programmes than was the case previously. If a sum equivalent to the pre-1984 Reserve totals is deducted, there remains unallocated a total of £7bn. in year 3 and £3.5bn. in year 2. The Treasury argues that if the latter sum of £3.5bn. was allocated to programmes in year 2 there would still be claims on the Reserve 'in-year', and it would be necessary to ask some departments to surrender what had previously been allocated in year 2 to finance those claims. A high Reserve in years 2 and 3 is necessary therefore to cope with uncertainty and to avoid overshooting the planning total. Further, the Treasury argues that years 2 and 3 have always been provisional, and that few departments now look that far ahead, apart perhaps from the MOD and Transport. Under the new rules, the fact that a third of the total Reserve is not allocated until year 2, and then a further third in year 3, has only a marginal effect on the planning of departmental programmes, it is claimed.

With a larger proportion of the planning total unallocated through the three years, it is more difficult to assess the growth pattern of intended spending, programme by programme. Parliament and its Select Committees, and the informed public are disadvantaged, and public discussion and debate the poorer. It does seem to be the case that the Treasury is less concerned with 'planning the path', as it once used to be, and much more concerned with controlling the planning total. 'It is the planning total which is crucial, not whether it has been allocated,' commented one senior Treasury official interviewed by the authors in 1990. That is an understandable reaction to the experience of the early 1980s. It is difficult, however, to resist the conclusion that the re-definition of the Reserve as a control mechanism for the whole of public expenditure, and the determination with which the new rules have been enforced, have further elevated the control function at the expense of planning. Faced with a credible Reserve or a 'honeypot', the Treasury understandably has opted for the former.

There is no evidence that the Conservative government intended that a larger Reserve should constrain the growth of public expenditure. Nor has it had that effect in practice. It could happen if the Reserve were not fully allocated in Year 1, in circumstances when there were no additional receipts from the sale of assets (above £5bn.) and no net underspending as a result of savings on some departmental programmes. The outturn would be less than the planning total by the amount of the unused Reserve. But unless departments were denied some additional discretionary and non-discretionary expenditure which normally they would expect the Treasury to allow, the effect would merely be less expenditure than expected rather than a squeeze. The most likely circumstances in which the Reserve might squeeze the planning total would be the need to cut expenditure quickly in-year, as a result of a crisis such as that in 1976. A part or the whole of the Reserve might be frozen. While the effect of that would be to cut the planning total, it would not squeeze the planned expenditure for departmental programmes agreed in the survey negotiations.

Other changes to the survey since 1982 point in the same direction of tighter and more effective control. The separation of programme from running costs expenditure in 1986 ostensibly provides departments with more discretion and flexibility to decide (and trade off) manpower numbers and pay. But it also removes the discretion to switch between the two. At the same time the Treasury continues to exercise detailed control through its scrutiny of management plans (Thain and Wright 1990b).

Departmental running costs, civil service pay and conditions, the creation and operation of Next Steps agencies are policy areas in which departmental ministers have shown no great interest. They are much more interested in programme expenditure, by which they believe their ministerial performance is assessed. The separation of running costs expenditure gives the Treasury a better handle to exercise control of costs, and to do so with much less risk of ministerial complaint. Bilaterals between ministers are mainly about programme expenditures; running costs excite less passion.

Reluctantly in 1983, the Treasury agreed to a scheme allowing departments to carry forward underspending on certain items of capital expenditure. The Treasury strings attached to the scheme(s) ensure that it is modest in its effect on the planning total aggregate. The persisting tension between detailed centralized Treasury control and greater departmental independence with more managerial discretion and flexibility to determine expenditure at the point of delivery inherent in FMI and the Efficiency Strategy is evident in the Treasury's ambivalent attitude towards the creation of decentralized Next Steps agencies. Since the Treasury's unenthusiastic welcome of the launch of the initiative in 1988, it has monitored developments closely and maintained its control of their future spending through the negotiation with sponsor departments of detailed framework agreements.

How effective is the survey as a monitoring and control system since the introduction of cash planning in 1982, the change in the use of the Reserve as an explicit control mechanism, and those other changes designed to improve the Treasury's control? Two criteria for assessing effectiveness are first, the outturn of aggregate public expenditure compared with the planning total. Secondly, the extent to which aggregate (and individual programme) underspending/overspending is mainly systemic rather than caused by factors over which the Treasury (and departments) have less or little control. Here we consider only the broad trends. Detailed analysis of the whole of the period 1979–91 is beset with problems of changing definitions and time-series discontinuities (See Thain and Wright 1989a). Comparing outturn with planned expenditure is easier after the changes in the use of the Reserve from 1984 onwards because all changes to planned expenditure whether as a result of new or revised policies in-year, or unforeseen expenditures, are financed from the Reserve. Before 1984, policy changes were in effect counted as increases to the planning total. As tables 1.1 and 1.2 show, the Treasury has overshot its planned planning total in eight of the last eleven years. In percentage terms the most significant overshoots occurred in 1980–1 (as a result of spending on employment programmes and falling nationalized industry revenue, both caused by the recession) and 1984–5 (mainly as result of spending which resulted from the miners' strike).

In 1988–9 there was a 4.6 per cent underspend mainly due to lower local authority capital spending (higher receipts from sale of council houses), lower grants to public corporations as a result of buoyant revenues in a booming economy and higher privatization proceeds.

Table 1.1   Planning total plans against outturn, 1980–83

Financial Year (£ billion)	PLAN Vol.	Cost	OUTTURN Vol.	Cost	DIFFERENCE Vol.	Cost	Percentage %
1980–81	79.25	79.95	80.6	83.0	+1.4	+3.07	+3.8
1981–82	๏	104.48		105.2		+0.72	+0.7
1982–83		114.1		113.0		−1.1	−0.9

Source: Terry Ward's Memoranda to Treasury and Civil Service Committee

Table 1.2   Planning total plans against outturn, 1983–91

Financial Year (£ billion)	PLAN Cash	OUTTURN[a] Cash	DIFFERENCE Cash	Percentage %
1983–84	119.3	120.3	+0.95	+0.8
1984–85	126.5	129.8	+3.3	+2.6
1985–86	132.1	133.7	+1.6	+1.2
1986–87	139.1	139.2	+0.1	+0.07
1987–88	148.6	145.7	−2.9	−2.0
1988–89	156.9	149.6	−7.3	−4.6
1989–90[b]	161.9	162.9	+1.0	+0.6
1990–91[b] [c]	178.96	181.2	+2.2	+1.2

Source: Public Expenditure White Papers, Financial Statement and Budget Reports and Autumn Statements
Notes
(a) Based on plans in Year 1 of PEWP and final outturn in PEWP two years later.
(b) Adjusted to new planning total figure.
(c) Estimated outturn in the Statistical Supplement to the 1990 Autumn Statement (Cm. 1520).

The causes of overspending on the outturn of aggregate expenditure are more difficult to distinguish and vary from one year to the next. It may be due to a failure of the survey processes, for example an under-estimate of the costs of financing a programme where there is a non-discretionary expenditure, such as social security payments or unemployment benefits; or the occurrence in-year of unforeseen expenditures, such as the need to respond to natural disasters, war or strike action; or general system inability to control certain kinds of expenditure, for example that of local authorities' current spending. The introduction of a new planning total, effective from 1989–90, was an admission that controlling that element of local authority current spending raised from local sources of finance had not been possible. The new total includes only that spending 'which is the responsibility of central government' (HM Treasury 1988, p. 5). One immediate effect of this

was that 'spending by local authorities of their own resources such as the community charge or use of receipts would not be part of the in-year control arrangements and hence any variation from the figures in the Autumn Statement would not affect the Reserve' (p. 6). This removed one of the regular sources of overspend impacting on the Planning Total. Although still counted as part of General Government Expenditure (GGE) – the aggregate used for medium-term objectives setting – changes in local government's own spending would not be part of the planning process. In practice this has had no more than a presentational impact on planning and control procedures. Since GGE is the bottom line figure, the Treasury has cut real departmental spending to compensate for those areas not under direct central government control (Ward, in Treasury and Civil Service Committee 1990, p. 57). What was once treated as an unavoidable overshoot on the planning total has now moved across to the non-planning total item in the GGE statistic. So whereas before departments were constrained by having a smaller Reserve to claim from in-year, now their real programme growth has to be cut to compensate for higher local authority spending.

As explained above, underspending is also a symptom of the failure of survey control processes to provide for planned outturn albeit one which benefits governments and the Treasury. Its regularity means that it is more significant than overspending.

The survey as evaluation
How effective is the survey in ensuring that expenditure decisions provide value-for-money? To what extent are issues of the output of a programme considered in relation to objectives, and the efficiency with which resources are used within the programme measured? To what extent are managerial cost-efficiency and cost-effectiveness factors in the allocation of resources among programmes?

Greater emphasis is given to value-for-money since the early 1980s. Attempts are made to construct and use indicators of performance, but the extent to which the accumulated VFM data informs the decision-making process is more difficult to determine. It is not easy to separate the rhetoric of White Papers from the substance of Treasury and departmental practice. Much more data on performance and output is now collected by departments responding to both the general emphasis given to attaining greater value-for-money in the Treasury, and the particular requests of its Expenditure Divisions. The quality of that data is variable and its use as a management tool to assess the efficiency and effectiveness of a programme difficult. Nevertheless departments are required to justify the continuance of their base-line expenditures by some quantitative measure of output achieved and expected, and also to provide such data to support their bids for additional expenditure. Departments complain that Treasury Expenditure Divisions now ask for more and more data, whose purpose and subsequent use is not always clear to them. They suspect, and there is some evidence to support their suspicions, that frequently expenditure controllers are reflecting onto departments pressure from their own central divisions (running costs, financial management and pay) to obtain more quantitative information. On the evidence of one Treasury Second

Permanent Secretary it was not easy at first to convince Treasury officials in the Expenditure Divisions that the government was serious about obtaining greater value-for-money, and that they should give effect to that purpose in their business with departments. There is then both an element of self-protection in the accumulation of value-for-money data in the Treasury Expenditure Divisions, and some reassurance in the collection and submission of that data by spending departments that they too are taking VFM seriously.

How much weight is given to information on performance, output and achievement of objectives in the examination of departmental bids is difficult to decide. At one extreme, much less than a reading of the Public Expenditure White Paper Departmental Reports with their catalogue of 2,000 performance indicators would suggest. At the other extreme, we are confident that such data is not used to determine relative value-for-money between programmes, or that in a bilateral negotiation it often proves decisive.

While a department's bid is supported by such data, and EDs compare the returns on expenditure within a programme, there is no explicit comparison of value-for-money among programmes. Priorities are not determined, at the margin, by comparing efficiency of resource use, or outputs achieved across programmes. Input, intermediate output, and output data are not collected on a sufficiently uniform basis for such comparisons to be attempted.

3. THE SURVEY AS COLLECTIVE DECISION-MAKING

The effectiveness of the survey processes may be assessed also by the extent to which they provide directly for the participation of ministers collectively in the decision-making processes, both at the time of deciding the aggregate planning total, and in the allocation between competing claims of the spending departments. This criterion was one of three which inspired the authors of the Plowden report in 1961. The July Cabinet which approves the recommendation of the Chancellor and Chief Secretary for the planning total does not normally engage in debate about the preferred size of public sector spending. This is partly because the recommended planning total is normally that written into the MTFS (Medium Term Financial Strategy) published at the time of the Budget, which is itself normally a confirmation of the total agreed at the conclusion of the last PES round and published in the Autumn Statement. It is also partly because cabinet ministers understand well that the final total in the following November, after the conclusion of the bilaterals, may well be greater than that recommended in July. Even at the November Cabinet when ministers are asked to approve the bilateral settlements and the planning total, there is little discussion of either.

In what sense then do ministers collectively decide expenditure decisions? To answer that we have now to discuss the extent to which both within the PES cycle, and at other times of the year, ministers collectively discuss the priorities accorded to public expenditure versus other claims on resources, and the priorities between one kind of expenditure and another.

The collective determination of priorities

At one level of explanation it is obviously true that the Cabinet collectively decides the relative priority of both the total of public expenditure and its composition when it approves the Chief Secretary's proposed planning total in July and agrees to the allocation which emerges at the end of the survey processes in November. At a deeper level, we need to determine the extent to which the survey processes provide explicitly for a consideration of priority, and the collective discussion of it by cabinet ministers.

Nowhere in the survey are the bids for additional resources explicitly compared and ranked. While the Chief Secretary's expenditure strategy incorporates both a target for overall expenditure and judgments about the priority to be accorded his colleagues' bids for extra spending consistent with cabinet decisions about new or revised policies, Treasury officials in the Expenditure Divisions are concerned almost wholly with delivery to him of programme totals which in aggregate will achieve his target figure. Of course in negotiations with individual departments, and in briefing for the ministerial bilaterals, Treasury officials will be aware of the Chief Secretary's thinking about the relative priorities of his colleagues' programmes, but this falls well short of any concerted attempt to compare and weigh the relative merits of competing bids according to some economic or financial criterion. The efficacy of expenditure in terms of value-for-money measured by performance indicators is considered, if at all, programme by programme. Inter-programme comparisons are not attempted.

The Treasury has two main counter-arguments to criticism that it does not attempt such comparisons in the preparation of the survey. The first argument is that priorities are determined continuously throughout the year and not confined to the bidding processes of the survey; and, secondly, that in any case priorities are mainly matters for the political judgment of ministers acting collectively. John MacGregor, when Chief Secretary, claimed that there were consultations between officials, ministers, and groups of ministers at all times during the survey, 'thereby enabling a rigorous formulation of priorities to emerge'. How they emerge is not clear:

> All through the year I am very conscious that when one is looking at new policy initiatives and the impact of outside events on public expenditure, one is frequently having to take decisions about priorities. There are considerable outside pressures and views expressed about priorities which often affect the decisions, not least in fact the debates that take place in this House. So, there are a whole series of points during the year when the whole question of priorities comes into one's mind. It is very difficult to describe precisely where they all occur (Treasury and Civil Service Committee, 1986, q. 139).

The Treasury and Civil Service Committee was not impressed with this argument and pronounced itself unable to discover how the Chief Secretary decided to take a tough or lenient line in the bilaterals, or how overall priorities were determined.

The Cabinet is involved not only at the end of the survey process in November, but at the July meeting and 'frequently' at Cabinet and Cabinet committee meetings

throughout the year. At such times, it is claimed, priorities emerge as new and revised policies are discussed and agreed, the result of manifesto commitments, political reaction to current issues, events and crises, and as a result of policy reviews. It is difficult to see how the claims of new and revised policies which arise from the latter can be brought together and compared with the claims of existing programmes. Policy reviews, however and by whomever initiated and conducted take place continuously, but they are not conducted simultaneously throughout all spending authorities, as for example in a system of comprehensive zero-based budgeting. Any priority given or withdrawn from a programme or service as a result of an *ad hoc* policy review is not compared explicitly with an existing order of priorities. While more attention may now be given to the practice of zero-based budgeting (McGregor, HC Debs. 26 Feb. 1986, col. 507) its application is piecemeal. Fundamental policy reviews of regional development, industrial policy, social security, the NHS, higher education, defence and transport have taken place in recent years, and have had the effect of changing the relative priorities of different expenditure programmes. But the results of such reviews and their implications for the priority of expenditure have been considered *seriatim*, and not compared with each other or existing programmes cross-departmentally. This is meant less as a criticism than an observation; still less is it meant as a recommendation. The point being made is that the insistence of Treasury ministers and officials that the activity of determining the priorities of public expenditure programmes is a continuous one, and not simply something that is decided at a specific point in the survey process, has the clear implication that inter-departmental comparisons are not provided for systematically, nor conducted comprehensively.

In his memoirs Francis Pym claimed that the July Cabinet is mainly concerned with the balance of macro-economic policy, and very little with the priority of the total or composition of public expenditure (Pym 1984). A conclusion confirmed by our discussions with senior Treasury officials. This view of the years 1979–85 is also confirmed by the earlier accounts of Labour government ministers. Joel Barnett, Chief Secretary to the Treasury from 1974–9, complained to Harold Wilson about the way the Cabinet considered priorities, and proposed a small Cabinet committee of senior non-spending ministers, 'to sift through all major programmes, and then put proposals to Cabinet' (Barnett 1982, p. 155). He was concerned that Cabinet should be able to take decisions about public expenditure, other than simply at the margin.

While there is little evidence of the Cabinet's concern for broad reviews of priority as such, nevertheless, substantial shifts between programmes can and do occur over time, and they represent changes in the relative priority of those programmes. For example, the balance between programme expenditure on defence, housing, education, law and order, and industry, was substantially changed over the period 1979–90 (see Thain and Wright 1991). Some of those changes were the consequence of an act of deliberate political will, to give a higher or lower priority to a particular programme, defence for example as a result of the NATO commitment to increase real spending by 3 per cent per year. Although the decision to do so may be made without a comparison of the relative merits and priority of all programmes, it

nevertheless represents the intention to adjust those priorities. The decisions of the Conservative government in 1979 to spend more on law and order, much less on industrial programmes, have had effects on the relative priorities of other expenditure programmes.

Large changes may result equally from the cumulative effect of small incremental steps. Since the mid-1970s, both Labour and Conservative governments have repeatedly cut capital spending. Real spending on capital items in the planning total fell 19.3 per cent between 1983–4 and 1988–9. It is only since 1989–90 that real spending has recovered. The consequence is a very large shift between the balance of current and capital programmes in the survey, and a substantial fall in the latter. Neither was the result of a deliberate decision to bring about changes of that magnitude. It cannot be objected that governments determine the priority of certain kinds of spending ideologically; or that the rationale for adjusting an existing order of priority is mainly political. The objection is that other kinds of relevant information and modes of analysis may be given too little weight in that political judgement, and that the mechanisms for determining relative priority through Cabinet and Cabinet committee are inadequate.

Whatever criteria and modes of analysis are used in determining the priority of different kinds of expenditure, the process of ordering and re-ordering is constrained in practice by factors over which governments often have little direct and immediate control. The Treasury emphasizes the preponderance of demand-led programmes, expenditure in which is determined, for example, by demography and the level of economic activity. Such constraints, like the contribution to the EC may determine relative priority.

It is claimed that the 'Survey procedure is designed to give Ministers the fullest information on which to make their judgement within and across departments' (HM Treasury, 1985). The evidence examined above suggests either that such information is not made available in a form which would enable ministers to make comparisons; or, that that information is provided but largely disregarded. Treasury ministers and officials admit that cross-departmental comparisons are not made systematically to determine relative priority in the survey process, or when 'in-year' changes are made. It is difficult to see how the results of a series of bilateral negotiations could provide, *faute de mieux*, the basis for ministers to make their own comparisons. At best, they will be presented with a set of *ad hominem* arguments and evidence about the merits of individual bids.

Whether or not they have the means to 'make their judgement', it can only be a partial and limited one. Not all bids are considered and compared at the same time collectively by the Cabinet and its committees. Those settled at the bilateral stage, or earlier still, are not re-opened and compared with those unresolved. It is by no means certain that the priority afforded a claim settled in the bilateral, or at an earlier stage of the process, would be superior to a claim unresolved in that process and taken to Cabinet or Cabinet committee. Finally, there is little evidence that ministers have the opportunity or the political will to engage in such an exercise, even if the means to make cross-departmental comparisons were available to them. Cabinet spends little time at its July meeting on expenditure

matters, while the purpose of the November Cabinet meeting and Star Chamber is more to resolve disputes than to determine priority in the way suggested.

It is difficult to resist the conclusion that the purpose of the survey is less to determine priority than in the words of a former Under Secretary in charge of the Treasury's General Expenditure Policy Division, 'to try to balance bids and savings and effectively juggle with them until it produces a new package but staying within the envelope' (Treasury and Civil Service Committee 1986, q. 7). It is more difficult to determine the extent to which priorities are discussed and decided continuously throughout the year at a variety of points in the decision-making process, as Treasury ministers and officials assert. The confidentiality of the proceedings of Cabinet committees makes it impossible to confirm or deny such claims authoritatively. The anecdotal evidence of ministerial participants suggests that, at best, such consideration is not provided for regularly. It is true, however, that bids from spending ministers in the survey will incorporate and reflect Cabinet decisions which commit resources to new or revised policy; that commitment may result from a broad review of existing policies. However, given the strength of departmental interests represented on Cabinet committees, and in the official committees which prepare material, brief and advise them, it would be surprising if a decision to commit additional resources to a new or revised policy resulted from the systematic comparison of the relative priority of both new and existing commitments.

In a formal sense, it is obviously true that the Cabinet collectively decides the relative priority of both the total and the different kinds of public expenditure. The outcome of the collective decision-making represents an order of public expenditure priority both in total and in composition. The Cabinet indicates its preference for more or less public expenditure by its agreement or acquiescence in the Chief Secretary's proposals in July, and for more or less of particular kinds of public expenditure in its agreement to the allocation which emerges at the end of the survey process in November. Of course, the Chief Secretary has to get it right, or else he will be unable to deliver each of his colleagues separately and get their collective approval. In that sense the allocation in the planning total represents an agreed order of priorities. But that prioritization is arrived at *ex post facto*. The order of priorities they now agree to are the sum of a number of *ad hoc* decisions each determined on-its-merits, programme by programme, department by department in bilateral negotiation with the Treasury.

It is, however, the nature of the criteria employed in those judgements which gives rise to concern and criticism. Here we refer to the different perspectives of the Chancellor and the Chief Secretary, the Cabinet collectively, and individual spending ministers. And the different kinds of rationality which may inform decision-making or be inferred from their behaviour. If the outcome of the bilaterals and the Star Chamber and Cabinet meetings is a planning total close to that which the Chancellor and Chief Secretary aimed at as part of broad macro-economic strategy, then however achieved, that total may be represented as 'rational' from their perspective, and defensible both politically and economically. From a different perspective, that of a spending minister whose claims for additional resources had

not been wholly accepted, the total might look less economically rational. Still more so, if the Treasury-departmental negotiation had been followed by a less painstaking examination of comparative merits in the Star Chamber, and perhaps a cruder bargaining still in Cabinet. But there is little to suggest that a departmental minister would be more satisfied with an unfavourable outcome because he felt that the process was more objective or 'rational'. Ministers would resent surrendering 'savings' on their programmes to be used to finance increases of their colleagues' programmes given a higher priority. Losing 'rationally' is still losing; winning, however contrived, is infinitely more preferable. We return to this issue in the conclusion.

4. THE OUTPUTS OF THE PES SYSTEM: 'WINNERS AND LOSERS'

The results of the 'games' played between the Treasury and the spending departments according to the PES rules are published in the November Autumn Statement, an annual scorecard of the immediate gains and losses for each programme. It does not record the extent to which those gains and losses represent success or failure in achieving the short-term aims reflected in the bids: to secure more resources, or to maintain an existing allocation, or to prevent a too rapid run-down. But in any case, assessment of a single year's allocations gives a misleading picture of who wins or loses from the PES system. Some investment programmes have long lead-times, and annual allocations can be 'front-' or 'end-loaded', or evenly spread through the life of a programme; a gradual but substantial shift in the relative priorities between programmes may be imperceptible in the outcomes of one, or even two or three PES-rounds; while the occurrence within the period of a single round of a major policy initiative, or a crisis, may distort the relativities between programmes over the period of a year or two.

   Here we attempt an assessment of winners and losers over the period 1978–90. While this is long enough to smooth out such short-term fluctuations and distortions, the analysis of the growth and decline of resources allocated to departmental programmes is nevertheless beset with problems of definition and measurement. One dual method of analysis is to highlight clear 'winners', whose programmes have grown in real terms *and* as a proportion of total central government spending, and conversely the 'losers' who have suffered real cuts in spending levels and have shrunk as a proportion of spending between 1978–79 and 1989–90 (See Thain and Wright, 1991 for further details on methodology.) We have used central government spending rather than that derived from the planning total so as to remove the distortion created by the sale of public assets. Tables 2.1 and 2.2 show 9 clear 'winners' and 5 clear 'losers'. There remain 5 programmes which fall between the two categories. These include programmes (MoD, MAFF, and the Scottish Office) which have experienced real increases in spending over the period but insufficient to maintain their share of total central government spending; and programmes (Arts and Libraries, and the Welsh Office) which have grown in real terms but have remained static as a proportion of total spending. If we update these figures to include the plans announced in the 1990 Autumn Statement (HM Treasury 1990b), we see that the MoD would join the 'loser' category in the period to 1993–4

as real spending and share of total spending are planned to decline, and the Scottish and Welsh Offices would join the 'winners' group with increased shares of total spending.

Table 2.1   'Winners' in public spending, 1978–90: real growth and increased share of central government spending

Department	REAL SPENDING GROWTH 1978–79 to 1989–90 %	INCREASED SHARE OF TOTAL SPENDING 1978–79 to 1989–90 %
Lord Chancellor	+175	+0.5
Home Office	+87.5	+0.5
DoT	+80	+0.5
DES	+60	+0.9
D. Employment	+43.5	+0.5
DoH	+34.5	+1.7
N. Ireland	+26.8	+0.2
CoE's depts	+25	+0.2
DSS	+23.9	+1.1

Source: Data from HM Treasury 1990a, table 21.3.3, p. 38.

Table 2.2   'Losers' in public spending, 1978–90: real cuts and reduced share of central government spending

Department	REAL SPENDING DECLINE 1978–79 to 1989–90 %	REDUCED SHARE OF TOTAL SPENDING 1978–79 to 1989–90 %
DoE Housing	−58.8	−2.2
DoE other	−45.5	−0.6
DTI	−40.7	−1.3
D. Energy	−20.0	−0.2
FCO	−4.3	−0.4

Source: Data from HM Treasury 1990a, table 21.3.3, p. 38.

There are two questions we need to answer. First, how do we explain this pattern of programme growth and decline?; and secondly, what does 'winning' and 'losing' mean in terms of the real resources available to departments and hence their ability to provide a given amount of goods and a given standard of service?

To attempt to assess the extent to which the pattern of growth and decline of departmental programmes is affected by the PES system, requires an analysis of those and other factors such as that conducted by Dunsire and Hood (1989) and for the period 1974–85. Their analysis needs extending longitudinally, and broadening to provide explicitly for the politics of the PES process. Their 'bureaucratic' and 'bureau' factors provide only for the 'way of working' within

departments; it does not measure the interaction between the Treasury and the spending departments in the PES processes described in Part I of this article. Dunsire and Hood found no unambiguous correlation with any of their four main factors. From the *prima facie* evidence of our analysis of 'winners and losers' we hypothesize that since 1985 there has been a stronger correlation, and perhaps causal relationship, between ideological factors (here, Conservative governments' expenditure priorities) and the pattern of allocation. Our reasons are: first, that after 1983 the sale of public sector assets led to run-down of some sponsor departments like Energy and DTI, and a steep decline in programmes associated with those sales; secondly, the introduction of the 'enterprise culture' in 1988 led to a retrenchment in regional and general aid for industry; and thirdly, that after 1985 the change in priorities initiated through incremental adjustments to other programmes (for example the programmes of the Home Office and Lord Chancellor's department) began to come through in the spending trends. The extent to which this has occurred as a result of the PES system will be more difficult to determine, but there is evidence that over time the cumulative results of a decade's marginal decisions accord with the Conservative government's broad political objectives. Moreover, the PES system has been the vehicle to operationalize *changing* priorities and preferences over time: for example the growth of defence programmes until 1985, stabilization until 1990 and decline after 1991 in line with the changing nature of the international situation; and the static state of an initially 'care and maintenance' road programme until 1988 and then the growth in programme spend after that date in response to growth in traffic and pressure on the government to 'deal' with transport problems.

An answer to the second question – what does winning or losing mean in terms of real resources and the ability of departments to deliver programmes on the ground – is more difficult still. Here we enter the contested ground of the appropriate measure of the costs of providing goods and services, and the assessment of both input and output in relation to 'need' and 'demand' for those goods and services (Webb and Wistow 1983). The underlying question here is the extent to which 'winners' have really won. 'Winning' in cash terms may mean losing in real terms, as measured by the Treasury's criterion of the GDP deflator. 'Winning' in real terms may mean losing when the yardstick is the actual costs of a programme measured by a differential rather than general price index. The significance of the question is this: to what extent does the price basis currently used in PES discussions constrain the growth of public expenditure in general, and departmental programmes in particular?

The price basis used by the Conservative government and the Treasury (and used in our tables) is 'real terms', that is cash outlays adjusted by the GDP deflator (that is inflation across the economy as a whole). The Treasury has not explicitly provided either generally for the whole of public expenditure, or for each programme differentially, for any such relative price effects, positive or negative. The argument for their exclusion is: that they measure the costs of inputs; the more important measurement (in the view of the Treasury) is that of outputs which provides an incentive to greater efficiency and productivity in the use of resources. Whether or not an allowance should be made, or an attempt made to measure

the effects of differential price increases, is contested. Our concern is to ascertain the extent to which some or all departments have 'lost' through the PES system because their costs have been under-estimated and resources under-provided. If departments are not able to compensate with gains made in efficiency and productivity increases – cutting costs or enhancing output – then with fewer real resources they may be unable to produce the same amount and/or quality of service. If as it is argued (Levitt and Joyce 1987) the health service requires an increase in resources in real terms of 2 per cent per year to provide the same level of service because of the additional pressures of demographic and technological change, then the Treasury's analysis of real growth as measured by the GDP deflator understates the 'level funding' requirement. Using the data in table 2.1, the Department of Health's 'real' spending growth of 34.5 per cent during 1978–79 to 1989–90 is in terms of these cost pressures only actually 12.5 per cent growth above that needed to maintain services. This still represents 'winning' but less dramatically than the Treasury's raw data suggests, with programme growth averaging just over 1 per cent per year using this adjusted basis instead of 3.13 per cent derived from Treasury figures.

Table 3   Relative price effects,* 1980–89

Public service pay	+1.5
Defence	+0.4
NHS	+2.0
Education	+1.1
General government goods and services:	
Final consumption	+1.1
Fixed capital	−2.2
Total	+0.8
Personal transfers	−0.3

* That is the degree to which prices in the public sector rise faster (+) or slower (−) than prices in the economy generally. These figures are compound percentage averages, with the base year 1979.
Source: Christopher Johnson, 'Public Spending Plans' memorandum to the Treasury and Civil Service Committee 1990, p. 74).

The dispute over health service funding is only the most obvious example of a more general issue. Recent analysis by Christopher Johnson (Johnson 1990) suggests that the Treasury's 'real terms' index understates the costs of financing General Government Expenditure on goods and services by about 0.8 per cent per year in the 1980–89 period. That is to say for the public sector as a whole, the relative price effect since 1980 has been positive. Within the public sector he has produced specific measures of the relative price effect for some of the main programmes. These are reproduced in table 3. If we adjust some of the data produced in the earlier tables for his analysis of the relative price effect the pecking order between departments alters. Thus, for example the real growth of the programmes of the DES over the 1978–79 to 1989–90 period is reduced to 48 per cent

from 60 per cent; that of the Northern Ireland Office and departments to 18 per cent from nearly 27 per cent. In other words, all the 'winners' win by less when the Treasury's data is revised to allow for relative costs in the public sector. The most startling effect is on those programmes which grew in real terms under the Treasury's definition but lost or only maintained their share of total spending. The two most prominent examples are the Scottish Office's programmes, which when adjusted for the relative price effect declined by 3 per cent rather than increased by 6 per cent, and MAFF's spending fell by 1.7 per cent rather than growing by 7.1 per cent. Of course the 'losers' in our analysis lose even more heavily when Johnson's data is incorporated.

As we discussed in Part I, the Treasury would argue that some allowance for the historic movement of prices greater than that measured by the GDP deflator may be admissible, but that the relative price effect on a programme-wide basis is not. We conclude that a large minority of departments (6 out of the 18 main Whitehall departments) have 'lost' real resources since 1979.

5. CONCLUSIONS

The Treasury has been the major beneficiary of the PES system in the 1980s. Its aim to regain the initiative in order to reassert central control of public spending coincided with the changed attitudes and objectives of both Labour and Conservative governments which provided the opportunity, the stimulus and the legitimacy for the restoration of those traditional values represented in its historic mission. The Treasury's overriding aim is to deliver the planning total decided by Cabinet; it is much less concerned with the allocations of that total, although it helps the Chief Secretary ensure that political priorities are reflected in the settlement agreed in the bilaterals. The primacy of this objective is reflected in the importance attached since 1982 to the cash aggregate of public spending rather than its volume or cost, and encapsulates the restatement of traditional Treasury values to control public expenditure. It is determined to avoid a recurrence of the disaster of the loss of control in the mid-1970s for which it was blamed. PES has been redesigned to give effect to the aim of delivering the annual planning total and achieving improved financial discipline and tighter short-term control. Planning and allocating for a period ahead have become less important functions. While the Treasury has regained control, its operation of the PES system has not guaranteed consistent delivery of the planning total. As we have shown, even since the use of the Reserve as a control mechanism from 1984, the planning total has been both over- and under-shot. This is less the result of systemic incapacity or operational failure than the practical limitations imposed by the incompatibility of collective Cabinet government and individual ministerial autonomy. While the whole of the planning total is willed collectively on one occasion in July, the individual parts which comprise it are willed bilaterally on many separate occasions in the months which follow. Only at moments of rare, acute crisis will there occur a correspondence of collective and individual ministerial interests sufficient to ensure that what is planned collectively can be delivered by the exercise of political will by each minister separately. (Even then there can be difficulties in securing the co-operation of

individual ministers, as Barnett makes clear in his account of negotiations with his colleagues over cuts in the IMF crisis in 1976.)

Conservative governments have benefited less from the PES system when a long rather than short perspective is adopted. The Thatcher and Major governments have clearly benefited from the changes made to PES to improve control after 1982. Notions of retrenchment, value-for-money and efficiency in public spending were all within the grain of Thatcherite ideology. But there has been progressive scaling down of overall spending objectives since 1979. Conservative governments moved from espousing the aim of real cuts in the total, to stable real spending, to real growth but at a rate less than the growth of GDP over a medium-term period. More basically attitudes towards public expenditure have changed, partly because of the political imperative and other growing pressures to allocate more real resources to programmes, and partly because in two recessions the pressure for spending on income-support and training programmes was irresistible. In the 1990s the Major government is responding to pressures for increased quality of services in the NHS, education, transport and the environment. This is a long way from the 1979 Public Expenditure White Paper which labelled public spending as being at 'the heart of Britain's decline'.

The benefits to the spending departments are less clear cut. Their subscription to the PES system for regulating their relationships with the Treasury no longer provides a reasonable assurance that all or most will 'win', as it did in the early-1970s. Judged by the outputs of the system, it is evident that there have been real 'losers'. If we hypothesize that many departments have lost 'real' resources (both adjusted for general inflation and the relative price effect) since the abolition of volume planning in 1982, then we need to explain why they have not exercised 'voice' more loudly.

There are ·a number of alternatives, not all mutually exclusive: first, the interdependent relationships are premised on a shared core-value: the orderly, annual regulation of public spending policies and processes within the accepted context of collective government. The collective aim to cut-back public expenditure outweighs any *ad hominem* argument about individual loss. One piece of evidence is that in our discussions with Whitehall department officials, it was apparent that each participant knew the 'score': the macro-economic objective of holding spending down as a proportion of GDP provided the overall context of spending discussions; and changing political priorities on certain programmes provided the specific context. Thus, given that both might change over time, and providing that Treasury officials and ministers acted 'reasonably', 'loyalty' rather than 'voice' was the appropriate response. Secondly, it might be argued that departments are able to manage their programmes to provide similar quantity and quality of service with less resources because of improved productivity or efficiency gains, and (implicitly) because they were over-funded.

The third alternative is more complex: that central departments protect their own 'core budgets' (Dunleavy 1989) and deflect pressures elsewhere: on to local authorities; or by cutting capital rather than current spending, and programme rather than administrative costs. On this argument key officials (and their ministers)

in the system would have less inclination to protest. What evidence there is on this is mixed. Tables 4 and 5 provide some data on which to begin an assessment. Table 4 shows the growth of spending as defined by the planning total (which includes central government spending, support for nationalized industries and grants to local authorities), total spending by local authorities, and central government's own expenditure. Since 1985–6, local authority spending has grown the fastest in real terms, followed by that for central government and then the planning total as a whole. This does not support the view that local authorities have been used to deflect spending pressures at the centre, although the data on the planning total suggests that public corporations and nationalized industries have been squeezed.

TABLE 4   Planning total, local authority and central government spending

	Planning total*		Local authorities†		Central government	
	Cash	real terms	Cash	real terms‡	Cash	real terms
1985–86	100	100	100	100	100	100
1986–87	105.3	101.2	106.5	103.0	106.2	102.6
1987–88	110.8	101.6	113.9	110.0	111.1	101.9
1988–89	114.5	97.8	119.3	102.0	115.9	99.0
1989–90	125.2	100.6	133.9	107.5	126.9	101.9
1990–91	139.6	103.9	145.1	107.9	140.5	104.6

Notes
(1985–86=100)
* Excluding privatization and other adjustments
† Total local authority expenditure including grants from central government
‡ Cash figures adjusted using the same deflators as for the planning total. No real term figures are provided in Treasury publications.
Source: HM Treasury 1990b.

Table 5   Total gross running costs

	Gross running costs*			
	Cash	Real terms†	% of Central government	% of Planning total‡
1986–87	100	100	10.3	7.8
1987–88	106.5	106.3	10.5	7.9
1988–89	113.3	100.1	10.7	8.2
1989–90	121.8	101.1	10.5	8.0
1990–91	135.4	104.1	10.6	8.0

Notes
(1986–87=100)
* Gross running costs excluding related receipts.
† Cash figures adjusted using the same deflators as for the planning total. No real term figures are provided in Treasury publications.
‡ Excluding privatization and other adjustments.
Source: HM Treasury, 1990b.

Table 5 shows the trends in gross running costs since the introduction of the new control regime in 1986. Running costs as a whole in real terms have grown slightly as a proportion of both central government's total spending and the planning total over the period. This provides limited support for Dunleavy's assertion that core budgets are protected. The real measure of the toughness of the control regime is that it is the most controversial focal issue in Treasury-departmental relationships at the official level, although not at ministerial level. The running costs issue highlights the degree to which the interests of ministers and their officials also diverge: ministers want to press the Treasury on programme spending, even if at the expense of administrative spending, whereas officials regard the running costs settlement as vital in enabling them to 'deliver' for their ministers, and necessary to maintain morale amongst staff.

Finally, it might be argued that the expectation of winning even a diminished share in real terms of a declining proportion of GDP is sufficient incentive to continue to play the game 'loyally'. 'Voice' is reserved for the constant argument between the departments and the Treasury over rules of the game, and the degree to which each side loses or gains flexibility (departments) or control (Treasury). The criticism of the running costs regime or the lack of flexibility in carrying forward underspending on capital spending (discussed in Part I) are examples of spending departments exercising 'voice' at times quite loudly, if inaudibly to 'outsiders'. Within the policy network there is constant discussion, and sometimes disagreement over the rules of the game. What is at stake is the distribution of existing and additional resources of authority, information and expertise, which affects the degree of interdependence and hence the room for manoeuvre of the various participants to achieve greater satisfaction in the maximization of their values. At root this is an argument about central Treasury control and departmental managerial autonomy.

The balance between the two swung decisively towards the Treasury after the crisis of control in the mid-1970s and the introduction of cash limits which followed in 1976. That rebalancing shifted still further towards the Treasury with the abandonment of volume planning and the introduction of cash planning in 1982-3. Subsequent changes to the rules of the game – such as the use of the Reserve, the separation of base-line expenditure from bids for additional resources, the annual GDP up-lift factor, the separation of programme from administrative expenditure and the requirement of annual efficiency gains – all these, and other changes discussed in Part I have helped the Treasury to improve financial discipline and to secure tighter central control.

Many spending departments have not only lost resources since 1982: they have surrendered some flexibility in the management of allocated resources as well. The tension arising from the rebalancing of central control and departmental financial autonomy led to demands 'voiced' within (and sometimes without) the network for changes to the rules. The Treasury conceded greater flexibility in the operation of the cash limits regime – changes in limits have become common rather than exceptional as Treasury rhetoric and 'rules' at first insisted; the carry-forward of some unused capital expenditure was allowed, and later extended to some elements

of running costs expenditure as well. The Treasury also allows the territorial departments to manage a large part of the spending under the responsibility of each secretary of state as a 'block', with discretion to move resources according to local priorities. But above all, the incorporation of FMI into the PES processes in the late-1980s led to demands from departments for greater financial autonomy for line managers in progressively decentralized departmental budgetary systems. Conceived by the Treasury as a means of securing greater financial discipline in the departments and tighter central control, the implementation of FMI led inescapably and (from the perspective of departments and the Prime Minister's Efficiency Unit) logically to demands for more freedom from central control.

The creation of Next Steps agencies was not seen by the Treasury initially as the next logical step, witness its lack of enthusiasm and the carefully composed caveats which surrounded its support for the implementation of the Ibbs report. The spending departments were quick to see Next Steps as a lever to win from the Treasury greater financial autonomy for the managers of their services. While the Treasury continues to fight hard to retain central control through the negotiated financial framework agreements with the sponsor departments of the new agencies, the principle of decentralized budgeting and more financial autonomy for line managers has been conceded. The difficulty for the Treasury is that in allowing spending departments and their agencies more flexibility in the management of their resources it will put at risk the gains in central control achieved since 1976, and make the delivery of the planning total through the PES processes a yet more hazardous undertaking.

As we have explained, the PES processes are conducted within a policy network comprising 'insiders' from the Whitehall expenditure community. These processes are neither open nor transparent. 'Outsiders' such as Parliament and its committees are disadvantaged; together with the clients and consumers of the sponsoring central spending departments, whose interests are represented only indirectly. While some local and regional spending authorities have benefited from exclusion from the network, others such as public corporations, non-departmental public bodies, and now (arguably) executive agencies have been disadvantaged.

Is there a better way? Can lessons be learned from the budgetary practices of other countries? Whether different principles, practices and experiences can be transported across (dissolving) national boundaries, transplanted and made to flourish successfully in different politico-economic cultures are questions beyond the scope of this article, but ones to which we shall return as we extend the present analysis to a comparison of the G7 countries. Here we confine our concluding comment on improvement of the system to the issue of rationality raised earlier and in Part I.

A strength of the present system is that the planning total and its component parts represent a politically rational outcome, one that normally all ministers are prepared to accept, however reluctantly, and which each minister believes is defensible to his department's constituents. The extent to which the planning total achieved in the Autumn Statement is broadly consistent with the overall politico-economic strategy determined upon earlier by the government collectively, also

represents a rational outcome. Although as we have emphasized the system operated interdependently by the Treasury and spending departments cannot guarantee to deliver a planned outcome. We would argue that the achievement of a politically rational outcome is a necessary but not sufficient condition of an effective system. At the moment it is its most important justification.

Such commendation derives from the adoption of the perspectives of 'insiders' in the Whitehall expenditure community and empathy with the values inherent in their 'appreciative systems'. What are considered virtues and benefits by insiders from within, are seen as weaknesses and disadvantages when viewed through the different perceptual lens of 'outsiders' – the line managers in local and regional spending authorities, and their clients and customers; and indeed many managers in the policy (but not finance) divisions and agencies of Whitehall spending departments. The determination of the planning total and its composition in PES and finally in Cabinet appears to them to be too much influenced by subjective considerations and political advantage decided by bargaining and 'horse-trading' and too little influenced by an economic, financial or professional calculus, or by considerations of user/consumer-rationality: quality and reliability of service, equitable access, and fairness in distribution and delivery.

The political and politico-economic rationality which we have argued characterizes the system, is seen by many outsiders as a failure to prioritize, and an indication of the inappropriateness of the present arrangements of collective decision-making through Cabinet for deciding such issues (Dell 1985; Wass 1984; Heclo and Wildavsky 1974, 1981; Treasury and Civil Service Committee *passim*). It is argued, or assumed, that the priority determined by consideration of economic, financial or other 'rational' criteria would be more objective and hence superior. It is by no means certain that the Cabinet would or should accept that the evidence of such calculations should outweigh or displace political judgement. That that judgement might properly be informed by other kinds of calculation and evidence which would contribute to a more informed, balanced judgement is undeniable. The difficulty lies in knowing what kinds of data are relevant and technically feasible, what weight to attach to them, and how they should be incorporated within the survey process. What is equally clear is that there is little evidence that the Cabinet or the Star Chamber is much influenced by either an economic or financial calculus. There is less still that ministers have the collective will to change their preference for political bargaining. 'It is not that it is satisfactory; rather that it is the least objectionable of the possibilities to the major players in the game, for whom ambiguity means a welcome freedom of manoeuvre' (Likierman 1988, p. 69).

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PUBLIC MANAGEMENT

RECONCILING TRANSPORT AND ENVIRONMENTAL POLICY OBJECTIVES: THE WAY AHEAD AT THE END OF THE ROAD

MAYER HILLMAN

Transport is a major sector of the UK economy. The significant place it holds reflects the fact that cars are generally seen as the most attractive means of travelling comfortably, quickly, privately and safely; that lorries enable the speedy transfer of goods on a door-to-door basis and with the minimum of double handling; and that air travel is an obvious way of saving time over long distances. Indeed, car use has been described as a barometer of personal independence and living standards, road freight as vital to the economic functioning of business, and air travel as an essential component of international communications.

However, a wide range of conflicts can be identified in the process of enabling the demand for fossil fuel-based transport – road, rail and air – to continue increasing whilst at the same time improving environmental quality. Accordingly, in the last two decades, successive governments have been attempting to strike the right balance between a strategy of investment to meet that demand and a strategy on minimizing the wide-ranging adverse consequences of doing so.

FALLACIOUS ASSUMPTIONS

Several fundamental and closely-related assumptions have underpinned their thinking and, on the evidence of current statements of objectives and intentions, look likely to continue to inform their decisions. This article is aimed at setting out some of the more influential of these assumptions, at showing how fallacious they are, and how the effect of subscribing to them distorts perceptions of what policy and practice in this area of the economy should be attempting to achieve.

Assumptions about the primacy of public preference, the unquestioned benefits of investment in transport infrastructure, the respective roles of public transport and walking and cycling, the merits of the case for road pricing, the significance of the link between transport and land use, the appropriateness of departmental responsibilities as presently defined and, most of all, the implications for transport policy of actions to avert global warming, are discussed in the context of developing policy on realizing public interest objectives.

PUBLIC PREFERENCE

It is a fundamental part of the government approach that people's aspirations to travel more should not be unnecessarily constrained. This is only considered acceptable where there is insufficient transport capacity and/or insufficient funds to increase it. In this respect, there is an implicit view that 'more is better', for instance that more traffic will lead on balance to a better quality of life (Department of Transport 1989a) and that improved infrastructure – the provision of motorways, high-speed trains, and airport facilities – reflects progress, the benefits of which can be gained without that conflicting unduly with pursuit of the broader public interest objectives. It is thought that the marginal disbenefits of each person's travel decisions, which are taken from a self-interest perspective and in almost total isolation from their consequent impact on the environment and the quality of other people's lives, rarely generate too undesirable consequences or, insofar as that is the outcome, remedial steps can be taken to ameliorate any damage thereby caused.

There can be little doubt that for many people traffic growth has brought in its wake considerable satisfactions allowing for extended choice and opportunities for work, shopping, recreation, holidays and so on. However, in evaluating whether government should attempt, if at all possible, to match the preference of a large number of individuals in this area of the economy, it seems to be overlooked that the social and environmental costs of every journey by private transport exceed the equivalent costs of that journey being made by public transport, and likewise that the costs of every freight movement by road exceed those by rail. It is becoming ever more apparent that, in this sphere, the sum of the preferred actions of numerous individuals do not lead to an outcome in accord with that broader public interest. Nevertheless, government has given no indication of any intention to limit future demand for any mode of transport.

TRANSPORT INFRASTRUCTURE

Forecasts are a key element in determining the demand. However, their reliability can be called into question on several counts. Consider the realism of the growth of road traffic forecast to increase by up to 140 per cent by the year 2025 (Department of Transport 1989a). It has been calculated that this would require the construction of the equivalent of over 250 lanes of motorway from London to Edinburgh even if the predicted extra vehicles were only parked (Adams 1991)! And whereas 13 square kilometres of land have been taken for road building in the last ten years, future land required for the programme will be three to four times higher – 41 to 52 square kilometres by the year 2000 (Department of the Environment, 1991a).

Government claims that increasing the scale of the transport infrastructure assists economic growth. In the case of road building, it is said to lower transport costs, improve the environment by removing through traffic, enhance road safety, reduce congestion, and avoid wasteful delays and fuel consumption (Department of Transport 1991a). Improvements may advantage British industry by lowering transport costs. However, this is marginal as these costs typically represent a very small part of its total costs and, in any case, of course, they also benefit our competitors: the Channel Tunnel trains are as likely to be conveying the goods of competitors of British industry from the Continent as the goods of British industry to the Continent. And there is now wide recognition that, in the main, the relief of congestion brought about by the provision of new road capacity is generally short-lived as traffic volumes grow to take advantage of this provision. Moreover, it is self-evident that increasing the capacity of the transport network encourages the adoption of more space-extensive patterns of activity.

THE ROLE OF PUBLIC TRANSPORT

Most critics of current transport policy argue that one of the key ways of resolving the conflict between traffic growth and its adverse consequences is to greatly improve public transport (see for instance Labour Party 1989). In this way, it is thought that car users can be more easily encouraged to transfer back to public transport – or be obliged to do so with less grounds for opposing measures taken by central or local government with this aim in mind.

Such a judgement stems from a wholly mistaken belief that the growth in car travel has come owing to people no longer wishing to use public transport. In fact, little of this growth has occurred as a result of people deserting bus or train: over the 20-year period to 1990, car user kilometres have increased by 272 billion (94 per cent), whilst bus passenger kilometres have declined by only 12 billion (23 per cent), and rail passenger kilometres have actually increased by five billion (14 per cent) (Department of Transport 1991b). In other words, for every passenger kilometre apparently 'lost' to public transport during these two decades, 40 passenger kilometres have been 'gained' by car users.

It is clear that by far the largest change in patterns of travel has resulted from newly-generated travel by car. The expectation that, given sufficient improvement in public transport, people will return to it from the car overlooks the fact that in the main they never came from public transport in the first place. As noted earlier, the car has enabled geographically spread patterns of activity, the great majority of which cannot now be realistically met by public transport.

INVESTMENT IN TRANSPORT

From both sides of the transport fence – those who consider that the way ahead lies in widening car ownership, more road building, and so on, and those who consider that it lies in extending rail electrification, faster trains and more frequent bus services – the case is pressed for the allocation of more public resources to transport. On the one hand it is argued that, once the recession is behind us, we will be able to spend more on transport, whilst on the other, it is proposed that

we fight our way out of the recession by investing in the transport infrastructure to improve Britain's industrial competitiveness. In each instance, the solution appears to be thought to lie in a burgeoning economy – 'give us the money and we'll finish the job'.

Common ground is now also evident in other statements from each side of the divide. It is conceded by the former 'meet the growing demand for the car' fundamentalists that there have to be limits on travel and that public transport and traffic management will probably have a more significant part to play than they were prepared to acknowledge a few years ago. And the 'ban the car in favour of public transport' fundamentalists now admit that private transport has too strong a hold on the nation's economy and life styles to allow for its abolition. It is widely agreed, in the words of a recent Secretary of State for Transport, that '. . .a balance has to be achieved between the various forms of transport so that each of them can make its proper contribution to a safer, more environment-friendly and more efficient transport system' (Department of Transport 1989b).

But even in theory what sort of *sensible* balance can be struck when the transport modes incurring high economic social and environmental costs are given equal if not preferential treatment to those incurring low costs in these respects; when investment in all the modes is not evaluated according to common criteria; and when the benign non-motorized modes are left out of the equation – as they are (Hillman and Cleary 1992).

ROAD PRICING

A further illustration of that apparent and arguable common ground is the growing support for road pricing as the best way of getting over the problem of traffic congestion. It is almost 'flavour of the year', welcomed by organizations as different in their political perspectives as the Institute for Public Policy Research (Hewitt 1989) and the Institute of Directors (1990).

What needs to be questioned is whether road pricing is the best response to the problems that traffic generates, given that it stems from addressing just one of these problems, namely the inadequacy of road space in *central* areas. Traffic growth brings in its wake a much wider range of adverse consequences than road congestion and delay (Hillman 1989). First and foremost are road accidents and, owing to a fear of them occurring, enforced changes in the behaviour of other road users. Then there is the pollution from motor vehicles and the spreading intrusiveness of traffic noise. None of these consequences are limited to city centres. Unless road pricing is applied to *all* roads, irrespective of the sufficiency of road space, it will only serve to alleviate congestion in these areas and is likely to lead to re-location by the motoring public and commerce in order to avoid the inconvenience and extra transport costs.

So it may be asked why not instead institute an additional petroleum tax that better reflects the extent of the direct and indirect social and environmental ill-effects of the use of a litre of motor fuel? This would lead to a decline in less essential traffic in urban *and* rural areas. Such a tax could be introduced almost overnight and would not require the high administrative and technical costs of road pricing.

But it is important to realise that, because of the elasticity of demand for transport fuels, the tax would have to be very high for it to reduce the volume of traffic significantly (Ingham, Maw and Ulph 1991); the recent EC proposal for a carbon tax starting at 15p a gallon and rising to 45p a gallon by the year 2000 would achieve little in this regard. In combination with a package of traffic management measures including traffic calming devices and controls on parking, a high fuel tax would bring an overall reduction in all these adverse effects as well as in congestion in central areas.

THE ROLE OF WALKING AND CYCLING

In planning for the future, only motorized travel appears in transport policy documents to be worthy of consideration. Forecasts extraordinarily exclude these modes. Insofar as walking and cycling are considered, they tend to be seen primarily in the context of safety. As has been noted, attention is focused on public transport as the only alternative to the car whereas, in fact, journeys on foot are even today three times as frequent as those by all public transport modes combined (Hillman and Cleary 1992).

The National Travel Surveys (NTS) are run principally to disclose the extent of the growing demand for motorized travel so that the road building programme can be planned to accommodate it. For this reason, the NTS concentrates on travel *distance*. In an easily overlooked Note prefacing the most recently published NTS report, it is pointed out that journeys of under a mile only account for 3 per cent of all personal travel mileage and that 'most of these are walks' – with the implication that they are of little consequence (Department of Transport 1988).

The omission of the 'very short' (*sic*) journeys leads to a very different image of the distribution of journeys by mode. Yet it is these spurious figures which are quoted in all the key statistical series. The effect of the omission is to reduce by *two-thirds* the actual number of journeys on foot while the proportion for those by car is increased from half to over two-thirds (Hillman and Cleary 1992).

The consequence of using these misleading figures can be seen in guidance given by the Department of the Environment. This is aimed at directing local authorities towards public interest decisions on patterns of shopping provision (Department of the Environment 1988). The relevant document relies on published NTS figures excluding journeys of under a mile and therefore reports on walking playing only a very minor role, overlooking the fact that nearly half of all shopping trips are made on foot and that of course these are over relatively short distances. At the same time, having incorrectly upgraded the significance of longer journeys, mostly by car, the document then emphasizes for local authorities the importance of providing sufficient parking space for car-borne shoppers. It goes on to give advice on large stores – the 'now well-established form of retail development clearly meeting strong customer demand for convenient car-borne weekly household shopping' (Department of the Environment 1988). It is disturbing to realize that planning approvals granted with this advice in mind have reduced the viability if not the availability of local shops that can be reached on foot.

A further effect of the omission is to relegate walking and cycling to an inferior

position in the transport hierarchy in spite of the fact that these modes are the ones that it is most in the public interest to promote owing to their low costs, environmental friendliness, the low risk of injury they pose for other road users, and so on. Again, these considerations appear to be totally overlooked in policy and the economies likely to ensue from making provision for them are rendered unlikely to be noticed because of the absence of meaningful data on them.

LAND USE AND TRANSPORT

The convenience and safety of travel on foot and cycle have been reduced still further because patterns of settlement and patterns of activity have grown in ways which depend on the availability and use of cars. Every day personal and planning decisions are reached without regard to the implications for the use and attractions of these modes and for the quality of the environment in which journeys by them are made. Current policy indicates a poor appreciation of the link between land use planning and the adoption of patterns of activity increasingly dependent on the car: low density housing settlements and out-of-town shopping centres generate far more traffic than their denser urban counterparts (Hillman and Whalley 1983). As noted earlier, these types of development can only rarely be economically served by public transport. They discourage self-sufficiency, independence and containment – key elements of liveable cities (Elkin, McLaren and Hillman 1991). It is almost as if there were a conspiracy to make the very difficult transition to sustainable urban patterns well-nigh impossible. Every new low density development, every out-of-town shopping centre, and every decision entailing long distance commuting represents an impediment to progress towards these patterns.

Indeed, an assumption has become commonplace that because space-extensive lifestyles which cannot be supported without the car have been adopted, an inalienable right now exists to continue to maintain these lifestyles, and a reasonable justification made out for opposing any measures that would lower their attractions. It seems to be overlooked that land use planning and location decisions should be made with a presumption in favour of those that minimize the distances that people need to travel. Clearly, higher densities of residential development, and more numerous, albeit smaller shops, schools, offices, and leisure facilities, encourage local patterns of activity more easily met on foot or cycle.

THE COMPARTMENTALIZATION OF RESPONSIBILITIES

One of the tenets of public policy is that the responsibilities of each division of government can be strait-jacketed. It is thought that where there is an overlap of interest this can be resolved through the medium of inter-departmental liaison groups. One example can be cited to illustrate how ineffective this approach can be.

Transport decisions often affect health directly or indirectly in many detrimental ways (Hillman 1990). Their impact can be seen physically, owing to death and injury in road accidents; psychologically, as these accidents cause distress, and fear and anxiety about the risk of them occurring; pathologically, as the pollution and noise from motor vehicles are a source of illness and mental impairment; and ecologically, as the exhaust emissions from traffic are a major contributor to global

warming which is highly deleterious to the planet's 'health'. There is too clear evidence of the major preventative role that walking and especially cycling can play in lowering the incidence of both heart and respiratory diseases and in increasing longevity (Hillman 1992). Indeed, there are no other realistic ways for the great majority of the population to maintain their fitness throughout life since use of these modes can frequently and readily be tied into the daily routine of travel to school, to work and so on. Thus, it would seem that some of the burden on the NHS could be relieved by different policies in the transport sphere. However, none of these related aspects of transport are considered sufficiently significant to affect *transport* policy in any fundamental way.

MEASURES OF PROGRESS

A major difficulty in transport policy lies in the quality of the transport statistics used and in finding and applying appropriate measures for evaluating its progress. For instance, given the environmental consequences, are we to assume that further and faster travel is a welcome sign – or is perhaps the reverse true?

One classic example of the inadequacy of measures currently employed can be seen in the way in which road safety policy relies almost exclusively on road accidents as the indicator of its success or failure. It appears to stand to reason: safe roads will have few if any accidents on them, and dangerous roads will have many accidents on them. But consider the recent Department of Transport claim that '... over the last 25 years, our roads have become much safer', and, seemingly to substantiate this, '...Road accidents have fallen by almost 20 per cent since the mid-1960s; the number of deaths is down by one-third. At the same time traffic has more than doubled' (Department of Transport 1990).

Clearly, as our recent PSI study of children's independent mobility has shown, part of the apparent paradox – that the fatality rate has fallen sharply in spite of the considerable increase in traffic – is explained by parents modifying their children's and their own behaviour in view of their logical perceptions of an increasingly *unsafe* environment (Hillman, Adams and Whitelegg 1991). In the face of this, as we established, parents have made two changes: first, they have progressively withdrawn their children from the risk of injury by limiting their freedom – a freedom which incidentally is cited as a justification for welcoming the growth of car ownership. And second, they have had to take on the often tedious and time-consuming escort burden thereby necessitated.

Our research suggests that if current road safety policy continues to be judged according to the degree to which the government-set target for the end of the decade of reducing accidents by one-third from their 1988 level is being achieved, it is likely to be focused on the wrong target. The target is being met not necessarily by making our roads safer but because the growth of traffic has made them generally more dangerous. One may wonder whose view is more reliable with regard to whether danger on the roads is declining or not – government experts who say roads are safer, or parents of young children who say they are less safe.

GLOBAL WARMING

The last and perhaps most significant issue that can be cited to illustrate the false premises on which current transport policy is based relates to action on lowering greenhouse gas emissions. Government assumes that it will be sufficient to stabilize carbon dioxide emissions at their 1990 levels by 2005 (Department of the Environment and others 1990). Moreover, that target is conditional on other countries adopting it and no indication has been given as to whether it is to be achieved in the transport sector which continues to grow at a fairly steady rate. However, this low target flies in the face of the warnings of the adverse consequences for the world – and for the UK (Department of the Environment 1991b) – of not taking draconian steps rightaway owing to the planet's finite capacity to act as a reservoir for the gases.

The central growth forecast for the UK is of an average annual increase of 2.25 per cent, representing close on a 60 per cent *rise* in GDP and an equivalent *rise* in carbon dioxide emissions by the year 2010 (Department of Energy 1989). Yet the report of a Working Group of the Intergovernmental Panel on Climate Change (1990) called for a global 60 to 80 per cent *fall* in carbon dioxide emissions to stabilize the climate. However, on moral grounds, the global reduction should be achieved on an equitable basis for the world's population; on political grounds, it may have to be. If it were assumed that this reduction is to be phased in over the next 50 years – a conservatively long programme – the consequence of this would be that an *annual* reduction of these omissions of five per cent must be aimed for (Carley, Christie and Hillman 1991). (And bear in mind that the necessary changes to achieve the desired objective become progressively more difficult the more that energy-intensive lifestyles are adopted.) If the start to the programme of reduction is delayed to 2000, as is intended with the EC's target of stabilizing current emissions by that year, the annual rate of reduction would have to be 6 per cent, and if we do not start until 2005, the year by which the UK government undertook in 1990 to stabilize emissions at 1988 levels, the rate would have to be 7 per cent (Carley, Christie and Hillman 1991). In the chilling words of an acknowledged expert on this subject '...We are only at the beginning of the beginning and to get where we ought to be will require the biggest revolution of our time' (Tickell 1991).

The implication of these figures is that international collaboration and co-operation are needed on a scale never seen before, though the approach has already been indicated by the strategies adopted on achieving significant reductions of the gases that are depleting the ozone layer. Very high carbon taxing and the rationing of fuel, to ensure that those on low incomes can be assured of being able to meet their basic needs without financial hardship, may well be key elements of a package that has any prospect of success both environmentally and politically, with a phased introduction in the immediate years ahead. Without these measures, the ecological balance of the planet will be put at great risk and the overriding message of the Environment White Paper that '...We must strive to integrate environmental concerns into all our activities so that we hand on to future generations an

environment no worse and preferably better than the one we inherited' (Department of the Environment and others, 1990) will prove to be just pious and unfulfilled expressions of hope.

CONCLUSIONS

It remains the conventional wisdom that the increase in travel by road, rail and air, and growth in the capacity of the country's infrastructure to accommodate it, are part of a quasi-natural evolutionary process. Material benefits and improvements in the quality of life are presumed to follow. In these terms, more travel – further and faster – and higher investment to cater for it are reflections of success. There appear to be no limits nor grounds for even considering them. This could be described as a demand-led approach to policy, with the market responding to people's revealed preference for consuming more and more transport goods and services.That is neither a realistic nor sustainable option for the future.

The questioning above of the assumptions underpinning current transport policy suggests that an alternative to the demand-led approach has to be found and that governments and individuals are going to have to increasingly dedicate themselves to a radically different approach derived from the public interest objectives of creating a more equitable and safe society and one that is sustainable both in a resource sense and in terms of adequate protection of the global environment. It is likely to be based on a strategy consisting of three elements: first, reducing the *need* for motorized travel; second, prioritizing the transport modes according to the extent to which their use furthers these objectives and third, minimizing the adverse effects of the travel patterns that remain after action has been taken on the first two.

The foregoing evidence provides strong support for the view that current transport policy will prove wholly inadequate in meeting the objectives. It has been seen that many radical changes will have to be made soon. However, given the momentum achieved in the direction of the growth of transport activity, the inevitable 'about-turn' will induce much opposition from vested interests in industry and from that increasing proportion of the population whose lives have been reordered to take maximum advantage of the environmentally unfriendly transport policies of the last few decades.

In particular, the ecological imperative and political implications of global warming will require a dramatic shift from the current approach which is based on judgements that growth in demand in the transport, as in other sectors of the economy, is desirable and sustainable in a resource sense and that it only causes environmental problems that can be resolved satisfactorily without these impacting on that growth to any marked degree.

As yet, government has given no indication that the public may have to be called upon to make changes entailing significant rather than modest alterations to the lifestyles that they have only been able to adopt because the environmental implications have been largely ignored. Government must recognize the need to shake itself and the public out of its complacent stance through an intensive programme of education because, with or without the existence of a popular

mandate, the implications of the dramatic steps that will have to be taken will create disturbing tensions posing a considerable threat to our democratic institutions.

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THE INVERTED MANAGEMENT PYRAMID, OR: THE MEVORACH PRINCIPLE

BARUCH MEVORACH

In modern management literature there is unanimity of opinion regarding the existence of a management pyramid. Public administration hierarchies, as well as private business hierarchies, maintain a clear-cut management pyramid. Many people compete for few positions on the difficult way to the pinnacle. According to this literature, promotion requires demonstration of greater specialization and expertise over that of potential competitors. Appointments are substantiated by these elements. The individual who rises to the next level is presented as preferred over his rivals from the perspective of knowledge and talents relative to the position.

Ascent in one pyramid – business, military, academic or public – is not equivalent to ascent in parallel pyramids. A young major will not be nominated to be managing director of a large business concern upon discharge from the army. The director of a government ministerial department will not be made a colonel if he joins the professional army. A doctoral candidate in economics will not be granted management of a central bank branch, neither while he is in school, nor immediately upon completion of his studies.

The difference between the pyramids is self evident: passage from pyramid to pyramid in the beginning or intermediate stages of advancement will generally require of the individual a decline in professional status and demonstration of specialization at the lower level, before he can expect to acquire a position equivalent in importance to that which he occupied in his former pyramid.

Hence, it is possible to delineate three principal characteristics of the management pyramids at least at the junior and intermediate ranks: many people compete for few positions; promotion is usually justified by the individual's more impressive demonstration of expertise and specialization; and management pyramids do not 'parachute' people in from one to another.

Everything stated up to this point is supportable up to a certain level in the hierarchy. What is that level? As we shall see, it is easy to identify in the academic scale, while in others, its identity is problematic. Under any circumstance, beginning

Baruch Mevorach is a Lecturer in Political Science and Public Policy at the University of Tel Aviv.

at this level, what we might call the 'bottleneck', an inverted management pyramid is developed (called hereafter the Mevorach Principle – MP Pyramid). It is a pyramid with a narrow base that widens as one advances and ascends within it (see figure 1).

FIGURE 1   *The inverted management pyramid*

Overlapping
pyramids

Few people many jobs

"Halo effect"

Bottleneck

No overlap between
pyramids

Many people–
few jobs

Specialization
and expertise
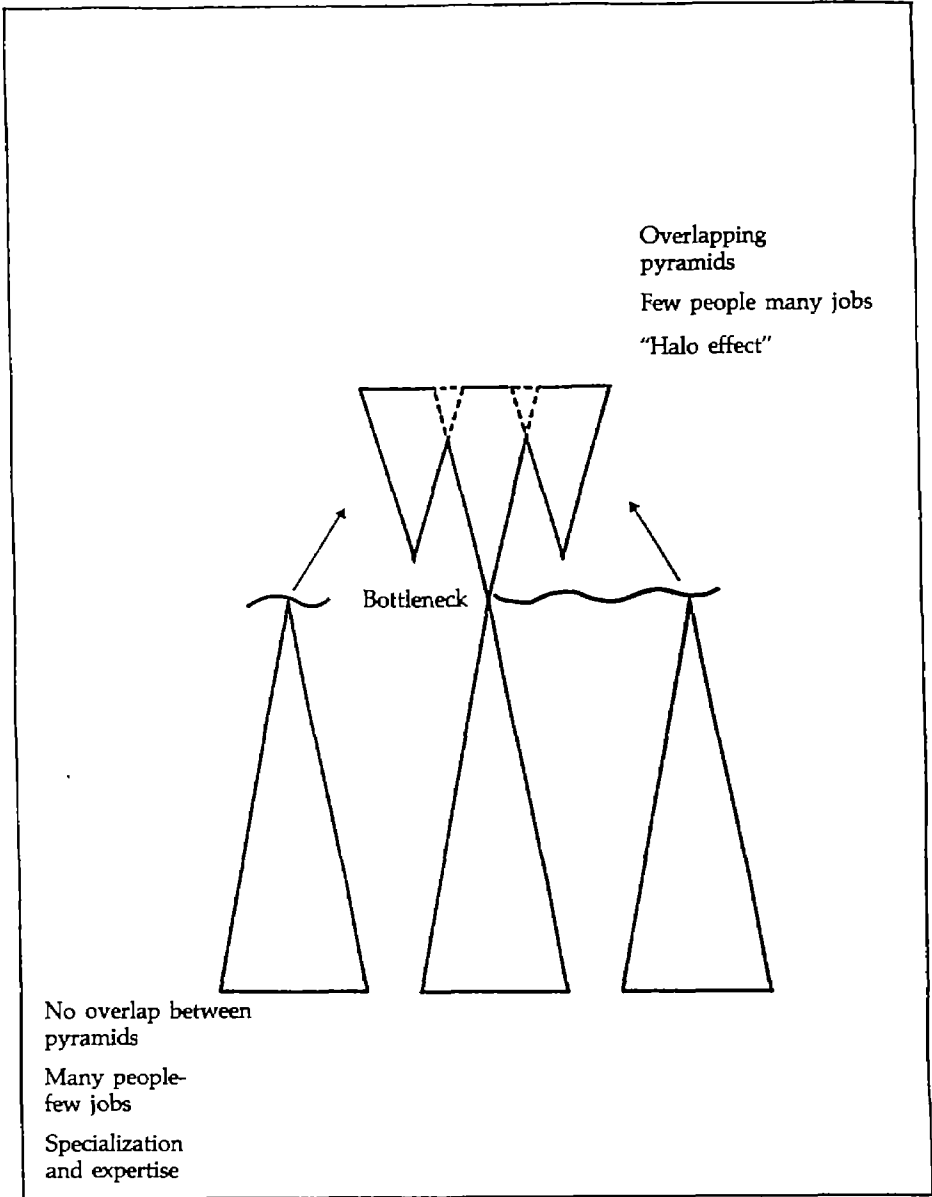
The author who wrote numerous books and was subsequently invited to be a university professor; the PhD in operations studies who became a colonel in the army; and the reserve general who became head of a strategic studies institute, are just a few examples from a wealth of such occurrences in which passage to a parallel pyramid took place without a decline in status along with a required demonstration of expertise and specialization.

JUMPING FROM THE PYRAMID

The passage to another pyramid as in the examples cited above, is usually accomplished at the point in the scale where 'integral' people in the scale are required to demonstrate an extremely high level of specialization and expertise. Appointment to a professorship, high rank in the army, or directorship of a research institute, demands of appointees from within the pyramid, more than just years of tenure. On the other hand, those who parachute in attain their positions with relative ease.

Why does a directorate decide to ignore nominations from within and parachute people in who have already passed the bottleneck in another management pyramid?

The basic assumption behind parachute appointments could be that there is a basic level of common knowledge and similar rules of operation that nullify the differences in job description from hierarchy to hierarchy. There could very well be a type of senior management that is appropriate to every one of the hierarchies under discussion. If so, at a certain level and upward, hierarchies negate their uniqueness and operate according to similar rules while allowing people from the highest echelon of one hierarchy to function at the highest level of another.

It is possible to state that pyramids approximate one another and overlap to a great extent. People at the senior level, those who have overcome the bottleneck, occasionally serve at that level in several inverted pyramids simultaneously, without having been tested at the junior and intermediate levels of each of the pyramids. Members of corporate directorates are a good example of this phenomenon.

At the lower levels of the classic pyramid we can find a hint of what will happen in the professional careers of those climbing up toward the bottleneck. Academics and student reservists achieve officer rank through short cuts; army officers have short cuts to the attainment of Bachelor's and Master's degrees. There is a connection between different pyramids, but the connection is limited, junior officers and degree candidates must still demonstrate their talent, professionalism and expertise.

Where is the bottleneck in each hierarchy beyond which the seeker becomes the sought? What is the break-point at which the pursuer becomes the pursued? In academia it is quite clear. There, the tenure decision marks the bottleneck. In the private business sector, the determination is more difficult and it is accomplished on a very detailed and specialized basis; not on the basis of hard and fast rules.

What does all of this tell us about the 'scientific' nature of the management profession and more than that, about the applicability of the various management sciences? Academia today offers specialist tracks in Business Management, Public Administration, Educational Administration, Political Administration, Health Administration, and even Arts Management. The facts appear to hint at the absence of distinction between the various fields; a good senior military administrator is also

a good senior public administrator, and perhaps even a good academic administrator.

A WORLD THAT IS ENTIRELY GOOD

The 'smooth' transfers and lack of specialization in the various areas appear to suggest that there is a lack of professionalism in the inverted pyramid. The multiplicity of positions often held by individuals adds yet another objective limitation on their ability to specialize and achieve expertise. Hence, the inverted pyramid is characterized by three elements; decline in specialization; few people with many positions; and tremendous overlap between different management pyramids.

Parkinson, Peter and others in their category therefore might tend to advise the ambitious manager to position himself as quickly as possible beyond the bottleneck. Beyond the turbulent waters, in which specialization and expertise reign and competition over precious few jobs is fierce, there exists a world which is entirely good, and those happy ones who have accomplished the crossing attain many wonderful positions without having to work too hard for them. In this world, professional tension declines along with need for constant updating and positioning on the 'cutting edge' of the field in question.

The implications due to MP pyramids can be translated to the following two sets of career suggestions:

Suggestions to the generally ambitious person, in an escalating scale.
1. Place yourself in the MP pyramid with the least hierarchical levels.
2. Place yourself in the MP pyramid, which is known to experience the fastest acceleration upwards and beyond the 'bottleneck'.
3. Place yourself in the MP pyramid, out of which most 'parachute' cases have occurred.

Suggestions to the ambitious person who has a preferable MP pyramid in mind, in an escalating scale
1. Examine the MP pyramid you favour in terms of suggestions 1 through 3 above. If it is a fast-moving pyramid – stick to it.
2. Refrain from starting a career in the MP pyramid you favour if it is known to be a slow-moving pyramid.
3. If the MP pyramid you favour is a slow-moving pyramid, yet receptive to 'parachute' cases from other MP pyramids, place yourself in the MP pyramid, from which most 'parachute' cases have occurred in the direction of the pyramid you require.

Psychologists use the concept of 'the halo effect' to explain a situation in which an expert in any given narrow field attains professional notice in other fields, thanks to the aura of expertise in his own field. 'The halo effect' is manifested in this article by the multipyramidal overlapping at the inverted pyramid level.

This article does not argue any normative position regarding the inverted pyramid. It is possible to test scientifically the differences between integral

hierarchical management and the kind of parachuted management that is often accompanied by a multiplicity of positions. Nevertheless, caution demands restraint in offering an intuitive hypothesis which emphasizes integrative advancement over parachuting and these two against the high-ranking official who skips from job to job in varied top echelons.

European Journal of Political Research

Official Journal of the European Consortium for Political Research

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COMPARATIVE AND INTERNATIONAL ADMINISTRATION

DRAWING LESSONS FROM US EXPERIENCE: AN ELECTED MAYOR FOR BRITISH LOCAL GOVERNMENT

GERRY STOKER AND HAROLD WOLMAN

Taking as a starting point the suggestion that US-style elected mayors might be appropriate for British local government this article explores the implications of such a development. It analyses the experience of the United States and notes crucial differences between the local government systems of Britain and the United States. These differences require a discussion of certain adaptations and changes that would need to be considered before an elected mayor in Britain could be established. The extent to which such an emulation would constitute an improvement to the current British local government system is considered. The article demonstrates the potential of prospective evaluation. It asks what we can learn from the experience of another country by projecting that experience onto the particular setting and circumstances of our own country. It provides otherwise unavailable evidence about the likely effects of a potentially important reform. The article concludes with an assessment of the general case for experimenting with an elected mayor in British local government and the prospects that such experiments will be taken forward.

The study of comparative public policy holds within it the hope that it is possible for one country to learn from the experience of another. Most comparative policy studies are concerned with substantive areas of policy, comparing, for example, education or housing policy in two or more countries. A less traditional approach, however, looks directly at a policy in another country and asks, 'how would that work here?' This approach, which Richard Rose (1991) has called 'prospective evaluation' is not limited to the question of whether a policy can be effectively copied or initiatied; instead, it asks the question: What can we learn from the experience of another country by projecting that experience to the particular setting and circumstances of our own country? It is thus a creative enterprise rather than simply a comparison.

Gerry Stoker is Professor of Politics in the Department of Government, University of Strathclyde and Harold Wolman is Professor, Department of Political Science and Associate Dean, College of Urban, Labor, and Metropolitan Affairs, Wayne State University.

Michael Heseltine's suggestion that Britain consider the adoption of an elected mayor provides an excellent setting for such an analysis. In July 1991 the government produced a consultation paper on the internal management of local authorities (Department of the Environment 1991). The paper outlines the case for change to existing arrangements and identifies a number of options for the future. The options include: no change, modification of the committee system, the appointment from the body of the council of a single or multi-person executive or, the election of a separate single or multi-person executive. The consultation paper makes reference to the value of learning from the experience of other countries although it does not engage in any extensive analysis in this respect. The purpose of this article is to examine the American experience with an elected mayor to determine what can be learned about the likely effects of such a change in local government structure in the British context. In short we focus on the most radical of the options for change: the establishment of an individual, elected separately from the council, to take over the council's executive responsibilities.

We begin by describing the position of the mayor in the US municipal government structure. The second section highlights the core differences and similarities between US and UK local governments that the reader must keep in mind in considering the US mayor in a British context. The next section examines the variety of options for an elected mayor that the US experience suggests and the kinds of questions and considerations that arise for British adoption of these. The last section sets forth criteria for effective local government and asks what kinds of differences an elected mayor would make in the British system of local government with respect to these criteria. A final section reviews a number of common objections to the role of elected mayors in the US. In our concluding remarks we review the overall prospects for establishing an elected mayor in British local government.

I. THE MAYOR IN US LOCAL GOVERNMENT

The title of this section is, in itself, misleading. There is not a single system of local government in the United States, but 50 different systems, since American local governments are creatures of state governments. Most American states provide their local government substantial choice in the type of local government structure they wish to adopt. The result is that mayors exist in several different contexts and with widely varying powers.

Structurally, there are two main different forms of municipal government in the United States, though there are a range of variations on each. As a result, the two forms – the mayor-council system and the council-manager system – serve more as illustrative or 'ideal types' than as descriptions of large numbers of systems. Mayor-council systems have tended to be dominant in large cities, while council-manager systems are more prevalent in small and medium-sized ones. Nearly 60 per cent of cities over 250,000 in population have mayor-council forms. In cities of population between 50,000 and 250,000 the council-manager form is most frequently used. In cities with a population of below 25,000 the mayor-council form, again, becomes dominant (Barnes 1991).

Mayor-council system

The mayor-council system consists of a directly elected mayor and a separately elected council. The council is usually quite small with an average size of seven members, although larger cities have councils of larger size (the average council size of cities between 500,000-1 million in population is 13). Structurally the mayor-council system embodies the separation of power system characteristic of the American system at the national level, with the mayor responsible for the executive function and the council for the legislative function. Mayor-council systems are divided into 'strong' mayor and 'weak' mayor systems depending on the formal powers of the mayor. In both the strong and weak mayor forms, the mayor usually can propose legislation to be placed before the council and can veto council-passed legislation (subject to override, usually by an extraordinary majority). However, in the strong mayor system the mayor is provided with substantial administrative powers: he/she can hire and fire the chief administrative officers and is responsible for the administrative operations of the city, including carrying out established policy and coordinating the effort of the various departments of city government. In addition, he/she is responsible for establishing the legislative agenda, and preparing and administering the budget and presenting it to council (although some mayors in weak mayor structures also have budget responsibilities). In most strong mayor systems, particularly in larger cities, the mayor is a full-time paid officer. Indeed, the average salary for mayors in cities of more than 250,000 residents was $48,000 in 1987 and mayors in the largest cities are particularly well compensated (Sato 1988). In the weak mayor system, the mayor lacks administrative power. Indeed, he/she must frequently share his powers with other directly elected administrative officials (for example, a city treasurer, city attorney, tax assessor) or with directly elected boards.

In the strong mayor form, the directly elected mayor thus serves as the chief executive in a structure which closely resembles the separation of powers on which the American national government is based. As a result, the mayor is highly visible and frequently is the source of political leadership for the city. Not only does the mayor possess strong formal powers, but, as Adrian and Press (1977) write:

> wide control over administration gives him great power, which can be used in many ways as a weapon to overcome opposition, and furnishes a vantage point from which to recommend policy. Furthermore, his strong administrative position encourages the newspapers to give him credit or blame for events that take place within city government. The resultant publicity makes the public keenly aware of his activities and of his recommendations to the council. As in the case of the President of the United States, when a strong mayor speaks, he receives far more attention than does even the most experienced or most respected member of the legislative branch. The fact that the mayor presents a comprehensive budget to the council for consideration also adds to his dominant political position, for by this very act public attention is focused on the mayor and the burden of proof for any changes in the budget is placed upon the council.

As this suggests, the mayor typically is the dominant source of political power in a strong mayor system, while the council exerts relatively little influence and

serves primarily as an arena for public criticism and debate. As Adrian and Press observe (1977), it is likely that the 'mayor's recommendations, backed as they are by a greater public attention focused on him, by his constant oversight of the city administration, and by his veto power, will be dutifully enacted by the council, perhaps after insignificant changes or after a symbolic show of independence.'

Council-manager system

The council-manager form of government, like the strong mayor form, emphasizes a strong executive, but the executive is an appointed rather than an elected one. In the council-manager form, an elected city council chooses a professional city manager who reports to the council and is responsible for the executive function. In theory, the city council is responsible for policy-making, while the city manager is responsible for administration. The council-manager form draws on the model of the American business corporation. In the corporation a board of directors serves to set company policy, but salaried managers are the primary decision makers on a daily basis.

Council-manager systems also have mayors, but usually with powers that are considerably more limited than mayors in mayor-council systems. In most cases (62 per cent) mayors in council-manager systems are also directly elected, although in 36 per cent of council-manager municipalities they are chosen by the council (in a small number of cases, the council member with the highest popular vote automatically becomes mayor). Typically, mayors in council-manager systems serve on the council (85 per cent of mayors in council-manager systems are council members, while only 33 per cent of mayors in mayor-council systems are members).

The powers of a mayor in a *council-manager* system may vary considerably. However, in most cases his/her function is primarily symbolic and ceremonial, though in many council-manager cities the mayor may play a policy leadership or a coordinative role. Executive leadership is provided by the manager. It is important to recognize that although the formal theory of the council-manager system suggests a sharp distinction between policy making and administration, it is widely accepted that city managers play an important role in policy as well as administration (see Ammons and Newell 1988). In fact, city managers are the key source of policy recommendations and often are highly involved in putting together political coalitions.

In summarizing the executive power of mayors, Svara (1990, p. 81) observes:

> If we define executive leadership to include the initiation of proposals to deal with problems in the community and the implementation of policy through control of the bureaucracy, then such leadership is a challenge for the strong mayor, difficult for the weak mayor, and impossible for the council-manager mayor.

One way of obtaining an initial appreciation of how mayors function within the US context is to briefly review the types of 'roles' that American political scientists and observers have suggested they play. These 'roles' may vary with respect to the structure of government, resources available to the mayor and the

personality of the individual holding the position. Some mayors may adopt multiple roles, while in other cases a single role type characterizes their behaviour.

Most of the typologies are concerned primarily with the role of mayors in mayor-council systems. (See Yates 1977; Kotter and Lawrence 1974; and Stone *et al.* 1979.) The various roles identified include:

Executive	Concerned primarily with the management of city government and its operations; sees effective management as an important means of achieving policy objectives.
Problem solver	Uses office to solve city 'problems'. A problem solver can be either an *entrepreneur*, focusing on pursuing new physical development projects, a *social reformer* attempting to address social problems and bring about redistribution, or a *pragmatist*, addressing problems as they arise on an *ad hoc* basis.
Broker	Concerned primarily with adjusting conflict among groups and interests. Problem solving is thus an exercise in conflict resolution.
Boss	Sees office as a means of distributing rewards to supporters. This is the traditional role of the mayor in 'machine' politics.
Caretaker	Primary role is to assure city services and local bureaucracy that delivers them are functioning adequately.
Ceremonial	Presides over 'state' functions.

Svara (1988) also discusses the potential non-executive mayoral roles in the council-manager system:

Ceremonial-presiding	Presides over 'state' functions and over council meetings.
Co-ordination and communication	Acts as a liaison with the city manager
Organizational and policy guidance	Engages in efforts to set goals for the council and manager and to advocate specific policies and approaches.
External relations	Serves as a promoter or ambassador for the city to the outside world.

In both mayor-council and council-manager system the mayor because of his/her visibility has a potential to put issues on the policy agenda.

Probably the most frequently cited mayoral role – despite the fact that not all mayors engage in it or are successful when they do so – is the mayor as head of an 'executive centred coalition'. This role, in some ways a composite of several of the roles listed above, involves an active mayor, usually in a strong mayor system, engaged in efforts to solve problems and to carry out projects for their cities. As head of these informal coalitions, the mayor attempts to bring together other power groups – particularly local business elites, labour, and municipal bureaucrats – on behalf of his goals. In short, the mayor, as head of an executive-centered coalition is the focal point of political leadership in the city, but he does not control that coalition. As Robert Dahl writes, based on his classic study of New Haven (1961):

It would be grossly misleading to see the executive-centered order as a neatly hierarchical system with the mayor at the top operating through subordinates in a chain of command. The mayor was not at the peak of a pyramid but rather at the center of intersecting circles. He negotiated...because the mayor could not command he had to bargain.

Given the importance of the elected mayor in the American system it is useful to consider what kind of people actually hold the office. In a study of mayors in US cities of over 100,000, Wolman, Page, and Reavely (1990) conclude, 'Large city mayors in the United States are predominantly and disproportionately middle-aged (or older), white, and male. The vast majority are college educated and were employed previously in business or professional occupations.' Indeed, nearly 80 per cent of large city mayors came from business, legal, or professional occupations, and of these, nearly 25 per cent were owners of businesses. Minorities (Blacks and Hispanics) were mayors in 16 per cent of the cities.

How would Americans assess the desirability of an elected mayor? In an American context, the debate would be structured as one between an elected executive mayor in a mayor-council system and a council-manager system with a non-executive mayor and an appointed city manager. The arguments in favor of a mayor would be straight-forward. First, an elected mayor provides a mechanism for strong executive leadership and the potential for 'getting things accomplished'. The office also provides a symbolic focus for the city. Further, an elected mayor provides a focal point for democratic politics. Citywide election makes the mayor highly visible, and this visibility, combined with the real executive powers of the office, leads citizens to hold him/her responsible for the performance of city government. In this respect, mayors in strong-mayor cities appear to play a role similar to parties in British local authorities. An elected mayor is thus a visible and responsible official who is democratically controlled. A city manager is, by contrast less visible, appointed and only indirectly democratically controlled.

The arguments against the elected mayor system are several. First mayors are not trained professional administrators and may, in fact, be quite uninterested in concerns related to running the city (although many are sensible enough to leave this to an appointed chief administrative officer). Second, the elected executive mayor places too great an emphasis on 'politics' and too little on professional expertise (embodied in the classic urban reform statement, 'there is no Republican or Democratic way to pave a street'). Third, elected mayors in strong mayor systems may involve too great a centralization of executive power and invite abuses of power. Fourth, elected mayors are sometimes associated with machine politics, corruption, and illegal activities.

II. CORE DIFFERENCES AND SIMILARITIES IN LOCAL GOVERNMENT SYSTEMS

This section addresses a number of core differences and similarities between the systems of local government in the US and Britain. We will concentrate on a few key points which have the greatest relevance in considering the role of an elected mayor.

Historical-cultural

The various forms of American municipal governments have been discussed in the first section. It is important to understand the origins of the strong executive system which characterizes both the strong mayor-council system and the council-manager system. Issues of efficiency and size have tended to dominate the reform debate in Britain. In the United States, strong management and depoliticization have been the key themes. The American system of municipal government largely reflects developments that occurred in the early part of the twentieth century as middle class reformers reacted to municipal corruption and what they perceived as inordinate politicization of local government. The reform movement was directed at eliminating corruption and removing 'politics' (which was seen as divisive) from local government. Politics was to be replaced with good government, defined particularly in terms of efficiency and modern management principles. Thus, the reform movement favoured a strong executive as the centre of administrative responsibility (and a professionally trained executive in the case of the city manager in council-manager cities), non-partisan elections (thus removing the distraction of 'party politics') and at-large elections (so that local policy issues would be considered in terms of the welfare of the entire community rather than that of specific areas). Some political historians have argued that the real purpose of the reformers was to reduce the political influence of geographically concentrated ethnic groups who were increasing in population and to retain the political influence of the middle class and business elites. (For a review see Welch and Bledsoe 1988.)

Size and structure

The fragmented structure of US local government presents a challenge to most American mayors. In contrast to the UK's tidy system, the US structure is characterized by a proliferation of local governments and fragmentation. General purpose units come in the form of counties, municipalities and townships. In addition, there are a large number of single purpose 'special districts'. The most important type of single purpose authority is the school district board. The position in different states varies but in Michigan, for example, a population of 9.2 million is served by 83 counties, 534 municipalities, 1,798 townships, 590 school districts and 250 other special districts; a total of 3,255 local government units! The average population served by local government units is around 12,000 in the US compared to 122,740 in England and Wales (Widdicombe 1986c, p. 140).

Each of the general purpose units has its own responsibilities and powers and there is no hierarchical relationship involved among different levels and tiers. Many of the single purpose authorities have their own independently elected boards and taxing authorities. Some such authorities have their boards appointed by general purpose local units or even the state. In some circumstances an elected mayor may have the power to make appointments to special districts/boards.

There are a variety of problems this fragmented structure poses for political leaders of American local governments, and particularly for those in large metropolitan areas. Many problems facing the local government cut across local boundaries and require coordinated and concerted action on an area-wide basis.

Such coordination is time consuming and difficult to achieve. Mayors also face the problem that key decisions affecting them and policy responsibilities reside outside their jurisdiction and yet can have a crucial impact on the welfare of their area. In addition, competition among the local units of governments – a product of the excessive fragmentation – makes it difficult to pursue coherent policy, particularly on an area-wide basis, in policy areas such as land use planning, economic development, education and training, and environmental matters. In particular, the tightly-drawn boundaries around central cities can lock in their problems and their substantial resource disadvantages compared to the generally more wealthy suburbs.

It has sometimes been alleged that the abolition of the metropolitan counties has moved local government in British conurbations – and particularly London – towards the fragmented system of American local government. While the direction of this movement is indisputable, it must be recognized that the British situation does not begin to match the extreme fragmentation of local government in US metropolitan areas.

Functions and issues

The functions undertaken by local governments are defined by states. Much of local government activity in the US is governed by 'Dillon's Rule', a legal doctrine similar to the familiar 'ultra vires'. However, many states have moved away from strict reliance on Dillon's Rule and grant some form of 'Home Rule'. Home rule is commonly applied to allow a community to choose the structure of its local governments and in many cases states permit broad or limited discretion in the type of functions that local governments can undertake. As a result of these factors, it is difficult to generalize about local government functions. However, table 1 on local expenditures by service provides a broad basis for comparison between the US and Britain.

In broad terms the patterns and range of local spending is similar. One obvious contrast is the relatively large spending on housing in Britain compared to the US, a reflection of the much more substantial role of publicly provided housing in Britain. Police and fire expenditure and staffs tend to loom larger and provide a focus for attention in a large proportion of US municipal governments compared to Britain.

A review of the issues confronting local governments in the US indicates also that many of the issues they confront are similar to and shared with their counterparts in Britain. A recent text by Elaine Sharp (1990) analyses trends in urban government in the 1980s and includes chapters on managing public sector employees, productivity improvements in service delivery, the citizen's role in local affairs, privatization and contracting-out, fiscal crisis, infrastructure problems and economic development. In terms of new issues for 1990s she identifies increasing demand for services, dealing with the effects of growth and traffic congestion and coping with the challenges of crime and drug abuse. In short, an agenda of local policy concerns that would, for the most part, be very familiar to British readers.

Table 1 Per cent local government expenditure by service

| | England | United States[1] | |
| | | Municipal govts. only | All local govts. |
	1987/88	1987	1987
Education	35	13	48
Housing[2]	22	5	3
Local environ. services[3]	15	18	9
Personal social services[4]	8	6	6
Health and hospitals	—	7	9
Police	2	14	6
Fire	2	7	3
Local transport[5]	7	9	6
Libraries	1	2	NA
Airports	—	2	9
Other	2	16	—

Source: US: US Statistical Abstract, 1990.
    UK: Local Government Financial Statistics, England, 1989, 1978/79.
[1] Excludes interest and general administration for each service.
[2] Housing and community development in US.
[3] Sewerage and sanitation plus natural resources and parks and recuperation in US.
[4] Public welfare in US.
[5] Roads and public transport in England; streets and highways in US.

Finance

The US system relies for its revenue on sources similar to those which exist in Britain: grants are provided to local governments from federal and state funds and local governments raise funds from charges/fees and local taxes. The most common tax is a property-based levy based on capital values but many states also allow local governments to utilize local sales taxes or local income taxes. It is usual, in contrast to the British situation, for local government units to have more than one source of tax revenues under their control. However, it is also common for there to be state-imposed limits on local tax rates and, in some states, on the amount by which local tax revenues can be increased from year to year. However, the municipality can frequently by-pass these limits if it wins the approval of its electorate in a special ballot or referenda.

An elected mayor may have at his or her disposal only limited autonomy in raising local revenues. Much depends on the buoyancy of the local economy and the local property market. If major commercial and industrial enterprises can be attracted to a locality their contribution to local revenues through property taxes are often seen as reducing the burden on domestic residents. Rising property values create a broader and buoyant tax base in a system where the value of taxable property is, in most states revised on an annual or biannual basis.

Unlike the British system, general federal and state grants are not provided to the same extent to correct inequalities and imbalances in the availability of local revenues and the depth of local needs. In the US virtually all federal grants and

most state grants to local governments are provided for specific purposes. The distribution of such grants may be related to the needs of different areas but very substantial inequalities in the scale of resources to meet problems remain between localities.

Elections and local politics

In many US municipalities, politics is legally 'non-partisan': candidates are not identified by party on the ballot. Only one-quarter of American cities of over 50,000 permit partisan labelling. Nearly 85 per cent of council-manager systems are non-partisan compared to 60 per cent of mayor-council cities (Sanders 1982, p. 181). Non-partisan elections place a premium on name identification and the politics of personality and greatly diminish the potential impact of party. They also greatly enhance the power of the mayor, as the most visible and best known political figure.

In addition, approximately two-thirds of cities elect their council members on an at-large basis compared to 15 per cent which utilize a district system and 19 per cent a combination of the two forms (Sanders 1982, p. 180). An at-large system diminishes the representation of specific neighbourhood and spatial interests on councils and also disadvantages geographically concentrated groups (for example, Blacks or Hispanics) who may be in a majority in one part of the city but a minority in the entire city. Such groups are unlikely to achieve any representation at all under a system of at-large elections.

Another feature of the system is worth bringing into the debate: the funding of election campaigns. The limited role of parties and the emphasis on personality politics have encouraged a process whereby very substantial levels of privately raised funds can be expended by candidates during an election campaign. Funding for big city elections in some cities is especially high both for the position of mayor and council posts in an at-large system because locality-wide impact and name identification are required.

Role of parties

One of the most important contrasts to keep in mind between British and American local politics is the distinctly different roles played by political parties. In the American system, parties at all levels are weak, but local parties are particularly so. In non-partisan systems, parties play little or no role either in elections or in government. In partisan systems, candidates are chosen not by selection committees, but through primary elections open to all eligible voters who declare themselves a member of the party (no dues or formal membership are required). As a consequence individual personalities and personal characteristics are of much greater prominence and importance in American local elections than in Britain. And, unlike the British system, parties are usually quite irrelevant as governing mechanisms. Even in partisan systems, governing coalitions do not necessarily form along party lines.

The executive function in American and British local government

One of the key contrasts between the systems of local government in the US and Britain is the much sharper designation of the executive function in the former.

In city-manager cities the manager has formal responsibility for the operational functioning of the council. Unlike the British chief executive, the city manager has full line management responsibility for all staff, including the power to hire and fire. The elected councillors are to provide policy direction but not involve themselves in the running of the administration. The mayor in strong mayor-council cities has all the powers of a city manager plus the authority to provide policy direction subject to review by an elected council.

In contrast, in the British system the formal location of executive authority rests in the council which on average has 48 members. Policy direction and executive authority are derived from the council, with officers including the chief executive at the service of all councillors. In practice, in most authorities councillors in the majority party are the crucial actors with their party leader and other senior councillors sharing the executive functions undertaken by a 'strong' mayor. The chief executive and other senior officers in British and local government together in practice perform many of the functions of the city manager, but without the formal executive power.

Informal power in the British system resides to a large degree in a 'joint elite' of senior councillors and officers who may jostle and compete for policy influence (Stoker 1991, ch. 4). However, the formal authority for decision-making remains in the council. A recognition of the contrasting approach to the executive function provides the basis for understanding what a major reform the introduction of an elected mayor would make in the British system. It could establish the basis for clear, strong executive leadership. To explore this question further the next section investigates the choices that would have to be made if an elected mayor were to be introduced in Britain.

III. WHAT KIND OF AN ELECTED MAYOR FOR BRITAIN?

An elected mayor for British local authorities would clearly be an important reform with substantial implications for the character of British local government.

In this section, we examine some important questions that must be considered and answered before a system of elected mayors can be evaluated. There are a wide variety of possible systems in which an elected mayor could operate. And, taking one cue from the American system we note here that there is no logical necessity for a reform of British local government to produce one single and uniform system of elected mayors. Perhaps a variety of different systems, combining different combinations of characteristics could be made available for local governments to choose from.

A. What kind of powers might the mayor have?

The most critical question to be determined is what formal powers the elected mayor would have? What would he/she actually be empowered to do?

If an elected mayor were given the formal powers of a strong executive mayor on the American model, the mayor would be provided with a veto power over council decisions (subject to council override, probably by an extraordinary majority), the responsibility for preparing and submitting the budget to council, the

power to place resolutions before council for consideration, and the responsibility for the executive operations of the local government, including appointment and removal of department heads. An elected mayor in the British context could receive all or any combination of these powers.

It is quite clear, however that a grant of any of these powers to an elected mayor would portend major changes in the operations of British local government and in the relations of the various actors to one another. Another, less dramatic change, would be to establish a mayor with weak executive powers. For example, such a mayor could make some key appointments and have responsibility for proposing policies and budgetary plans but not have the administrative and decision-making powers available to the strong executive mayor.

An elected non-executive mayor – on the model of a separately elected mayor in the American council-manager system – would be a much less severe break from the present British system and would pose fewer questions. But what would such a mayor do and, indeed, how would he/she differ – except in the fact of being separately elected – from the present British council-selected figurehead and ceremonial mayor? Such a mayor could serve on council, replacing the current council leader. Such a mayor might then have all the current powers of the council leader, plus the additional popular legitimacy of having been elected from the entire community. The result would be to replace the party-elected council leader with the popularly elected mayor as the dominant figure on council.

Such an institutional change would likely be purely illusory, however. The fact is that if the mayor did not command the confidence of the majority party, a member of that party who did so would become, in effect, the *de facto* council leader, and the mayor would be reduced to playing a much lesser role. However, the fact of his/her popular election would still likely imbue the person with more importance than the present purely ceremonial mayor, if he/she should choose to utilize it. An elected mayor could speak on behalf of the community with much greater authority than could an appointed ceremonial mayor. The mayor could also attempt to place his or herself above politics, articulating broader goals and objectives for the community to pursue and even attempting to persuade council to move in a desired direction.

However, these roles, sometimes adopted by non-executive mayors in US council-manager systems, are much less likely to be adopted in the party-dominated system of British local government, unless the mayor is selected – as is usually the case in the US – in a way which isolates the link between political parties and mayor.

B. How will the mayor be chosen?

We assume here that the mayor would be separately elected. But through what sort of electoral process? Most American mayors are elected on non-partisan ballots. A product of the reform movement described in section II, non-partisan elected mayors obviously are an attempt to break the link between parties and elected officeholders, and there is little doubt that, by and large, they do so in the United States. Operating in a non-partisan environment (council members in non-partisan cities in the US are also elected without party labels), even non-executive American

mayors are often able to exercise some degree of power, although as we noted earlier their capacity for effective policy and implementation control is likely to be limited.

However, in a British context a non-executive mayor elected on a non-partisan basis would surely be rendered into a political weakling; it is difficult to envisage, politically, why anyone would pay any attention to him/her. The situation would change (and be rather analogous to the US council-manager system) if council members too were elected on a non-partisan basis. Such a major revolution in the practice of British local government seems highly unlikely, however, and, indeed, were it contemplated, it should be pointed out that there are many undesirable consequences which attend on the American non-partisan system.

The core criticisms of non-partisan local election are presented in Welch and Bledsoe (1988). Their review makes it clear that the issue is a complex one in which the empirical evidence is occasionally contradictory. However an overall assessment suggests that, in an American context, non-partisan elections tend to favour, even more than partisan systems, the adoption of male, white, higher status candidates. There is somewhat of a hidden bias in favour of Republicans. The representation of minorities tends to be weakened. Generally it can be argued that non-partisan elections reduce cues to voters and increase the importance given to individual name identification as opposed to policies or values. There is also the issue of personality-based campaigns relying on substantial funding from private sources. As noted earlier the funding of election campaigns and their impact on the independence of successful candidates vis-à-vis their funders is a cause of concern in the United States.

A non-partisan elected executive mayor, co-existing with a partisan elected council, as at present, is a system which is more in tune with British tradition. First, such a mayor would have sufficient formal powers to more than ensure his/her political relevance. And, if breaking the grip of partisan politics on local government is one of the objectives sought by structural reform, a non-partisan mayor with executive powers may lead in this direction.

But, even if such an object were deemed to be desirable, its attainment would not be certain through these means. How would candidates for the mayor's office be chosen? In a non-partisan system, parties, by definition, are permitted no formal role. Following the American system, there are two options. In either case, candidates are allowed on the ballot if they are able to present a minimum number of qualified signatures to the city official in charge of elections. Then, in the first case, an election is simply held, and the candidate with the most votes (first past the post) wins. However, as this frequently would result in a candidate with a relatively small percentage (far less than a majority) winning, the election is sometimes held in two stages: a primary election and a general election. If no candidate receives more than 50 per cent of the votes in the primary, a general election is then held between the top two votegetters in the primary election.

It is questionable, however, whether such a non-partisan system would necessarily deprive parties of their influence. In America local parties are weak for a variety of reasons and Americans pay relatively little attention to them as local

electoral devices. In Britain, this is not the case, and, so long as council members continue to be elected on a partisan basis, parties are likely to remain a highly visible and relevant source of electoral cues. Even in a non-partisan system, there is nothing to prevent parties from endorsing candidates and informing voters which candidate they favour. It is quite likely that parties would informally run candidates and exert great efforts to inform voters which of the individuals running is the 'unofficial' Labour Party (or Tory or Liberal Democratic) candidate.

Should partisan elections be determined the proper course, the question nonetheless remains of how parties are to select their candidates. Selection by local party committees in the same manner and through the same processes as council candidates would render the mayor subordinate to party and party discipline – so far as reselection is concerned – and would diminish his/her independence. Selection through a party primary open not just to paid up members, but to all eligible voters who identify with the party, would reduce the link between party and candidate and give the candidate a degree of independent standing regardless of official party support.

Finally, there is the question of the timing of elections. Should mayoral elections be held at the same time as council elections or should they be held separately? Assuming an executive mayor with important formal powers and thus an effective separation of powers, separately timed elections would tend to break the link between the two institutions and increase the chance that they will be controlled by different parties, a situation we will turn to directly below.

C. How will the mayor relate to council?
A separately elected executive mayor with important formal powers implies a separation of powers and its likely accompaniment, checks and balances. This introduces the possibility of a new situation in British political power structures. What happens when the council is controlled by one party or coalition and the mayor is of another party?

It may be asked whether, given the British tradition, this is anything more than a purely hypothetical question: is divided party control actually likely to exist under these circumstances? The answer to this is that it is unlikely, just as in the US in strong one party dominated areas, but possible, even probable, in highly competitive two or more party areas. At a minimum, we know that local authorities frequently lack a single party majority, and in many cases are controlled through some form of coalition government. However, a mayor, by definition, is a single individual and, in a partisan situation, will belong to a party rather than to a coalition. Thus, in this situation, a mayor of one party will face a coalition controlled council. In such a situation the mayor will be tempted to arrange a council coalition most to his/her liking, regardless of whether this is the preferred arrangement of his party in council. Particularly in local authorities which are highly competitive in a two party sense, there are also likely to be cases of out and out divided control with one party controlling the mayor's office and the other the council.

Divided control invites, but does not inevitably compel, stalemate as no party

has the ability to unilaterally carry out its manifesto. Instead a high premium is placed on bargaining across both party and institutional boundaries if successful policy is to be produced. Such bargaining and negotiating stresses the importance of compromise and agreement rather than partisanship, credit-taking, and blame assignment, though these are never wholly missing. The former characteristics are not the dominant operating values of British government at present. It is difficult to predict whether their lack suggests that stalemate is the more likely result or that a change in structure may bring about a corresponding change in operational values and behaviour. The evidence from the experience of hung councils is mixed with some finding decision-taking problematic but others establishing a new impetus for policy development.

A non-executive mayor presents a different situation. The first question is whether such a mayor should sit on council and perhaps even preside over it, in the manner of some American mayors in council-manager systems. If so, the relationship of the mayor to the council leader needs to be sorted out and his/her function needs to be clarified. If the mayor is not a council member his/her relationship to council would nearly inevitably be similar to that of the head of state (albeit an elected head of state such as the President in Austria) to that of the elected government, i.e., largely symbolic.

D. Relationship of mayor to party
There has already been substantial discussion of this question in the course of the above discussion. The key concern is whether the mayor is meant to be the most important and most visible party official, but subject to party control and discipline, or whether he/she is to be as independent as possible of party, building his/her own base of popular support even while identified as a party member. Indeed, in the latter case, the mayor may likely be the focal point for a broadened party leadership rather than the subject of party control and discipline.

It is clear that an elected mayor, and especially an executive elected mayor, will be a highly visible political figure. This has implications not only for his/her role in local government and the operations of local government, but also for political career paths to Parliament. The potential for such an individual to break links with party is present, and particularly so if other institutional changes (for example, primary selection of candidates) accompany an elected mayor reform. An elected executive mayor would have popular legitimacy that no other local elected official could match; in addition he/she would be much more politically visible than the only other popularly elected figure on an equivalent sized geographic basis, the member of Parliament. At a minimum, parties would have to take care to select candidates who were personally appealing, in a political sense, to the electorate rather than simply reflecting the views and values of the local party organization. The visibility of the office suggests that the selection process would resemble that of a parliamentary candidate rather than the present council selection process.

E. Relationship of mayor to local chief executive
An executive mayor implies formal responsibility for the operations of the local

government, including, at least in the American context, the ability to hire and replace department heads and to co-ordinate across various government departments. Under such a situation, the existing office of local chief executive makes no sense; it is the independently elected mayor who holds executive power, not the local chief executive on behalf of the council. Indeed, to avoid chaos, the chief executive would inevitably have to be made responsible to the mayor rather than the council and would become the equivalent of a chief administrative officer in an American mayor-council system. In many ways this could be a clear enhancement of the chief executive's power, since it would probably imply clear hierarchical control, acting in the name of the mayor, over other departments. In other respects it could be seen as a lessening of the role of the chief executive, making him/her the servant of an individual rather than of the council as a whole. The discretion under current arrangements, and the statutory functions giving the chief executive and other senior officers 'independent' legal powers, would be challenged by a much sharper identification with and responsibility to the elected mayor. A partnership between the two actors would provide a focus for local decision-making but in formal terms the elected mayor would be the senior partner.

It would, of course, also be possible to deny the mayor administrative responsibility for the operations of government, while still granting him/her veto powers and powers to introduce policy. This would imply weak mayor status. Under these circumstances, the chief executive might well remain responsible to the council. The mayor-chief executive relationship in such a situation might parallel that which exists in the current system with strong controlling group leaders.

Another question of concern is if the mayor, whether, executive or non-executive, should be provided with a personal staff, and, if so, of what kind and size. It would seem almost meaningless to imbue a mayor with executive powers and then deny him/her the ability to act on them through lack of staff. Of course, the chief executive and his/her staff might be made responsible to the mayor and, in effect, serve as staff. In the American situation, mayors of larger cities are generally provided with small personal staffs for policy planning and personnel and for political purposes.

Finally, there is the question of the political status of officials and department heads. In the United States high ranking local officials are quite routinely removed from office upon the arrival of a new mayor so that the mayor can build his/her own team. This provides the mayor with the clear responsibility for the execution of policy and the administration of city government. It is also very much at odds with the British tradition of a neutral government service. The government's consultation paper makes it plain that it remains committed to the political impartiality of senior staff appointments to local authorities (Department of the Environment 1991, para. 31).

IV. WHAT COULD AN ELECTED MAYOR CONTRIBUTE TO LOCAL GOVERNMENT?

This section of the article addresses the issue of what difference having an elected mayor would make for local government. We identify a number of what might

be regarded as desirable characteristics of a local government system and consider whether an elected mayor would support their achievement. The focus of the discussion is on the contribution that a separately elected executive mayor might make to a local government. In short, we will be assessing the potential impact of strong mayor form on the British system because this provides the greater contrast with the current system.

Our thoughts about the likely impact of an elected mayor on British local government are informed by our knowledge of the system in the United States as well as Britain. We recognize, however, that the same two institutions in different settings will not necessarily produce similar results. A variety of other factors – most importantly cultural norms and expectations plus differences in related institutions and practices – will intervene. Moreover, institutional structure is important, but it is not all-determining. It provides a set of incentives which political actors respond to and establishes a range of constraints which set limits on new activity. Structural arrangements provide a context but the individual skills, strategies and perspectives of political actors allow for a variety of roles and ways of working to be developed.

The Widdicombe committee's deliberations provide a convenient benchmark for establishing widely accepted values of a local government system. The Widdicombe committee reviewed earlier reports on and official investigations into local government. Sifting through their findings and reflecting on the current state of local government they conclude the case for local government rested on a number of interlocking and complementary propositions.

According to Widdicombe (1986a, para 3.11) the value of elected local government stems from its attributes of:

(a) participation, through which it contributes to local democracy;
(b) responsiveness, through which it contributes to the provision of local needs through the delivery of services;
(c) pluralism, through which it contributes to the national political system.

The Widdicombe committee further argues that each of these core attributes has a number of dimensions. Participation expresses concern about the quality of democracy within local government. Elected representatives should be accountable to local people and there should be opportunities to influence local government more directly through consultation, co-option and local lobbying. Responsiveness in service delivery is concerned with both efficiency and effectiveness. Efficiency is about providing services at least cost achievable per unit of output. Effectiveness is concerned with the extent to which services actually accomplish their objectives and meet the needs to which they are addressed. To achieve effectiveness requires sensitivity in service delivery; initiative, innovation and enterprise in responding to changing needs; and an ability to coordinate and meet in a corporate fashion multi-dimensional local issues. The role of local government within a national political system contributes to pluralism by dispersing formal governmental authority and providing a counterweight to the power of central government.

Taking the Widdicombe propositions as a benchmark we can assess the

contribution that an elected mayor might make to supporting valued features of a local government system. Before doing so we can note that an elected executive mayor would provide a prominent local political figure and would be likely to attract considerable media attention and become well-known by local people. Research suggests that 30 per cent of the population in Britain has the ability to name their local councillor (Widdicombe 1986b, p. 33). Research from the United States suggests that a considerably higher percentage of the population know the name of their elected mayor. For example, in metropolitan Detroit, 97.5 per cent could name the Detroit city mayor and in larger suburban communities with mayor-council systems, on average 60 per cent of respondents living in the community could correctly name their mayor (see Bledsoe and Stoker 1992).

Participation: the contribution of an elected mayor to local democracy

One of the main attractions of having an elected mayor is the way it creates a highly visible figure whom the public can hold to account. A valued feature in any local government system is the degree to which locally elected officials are held accountable for their actions by the public, with election or re-election reflecting their local performance and their views on local issues. A prominent and locally well-known elected mayor might well add to local accountability, given the tendency in the current British system for national issues to heavily influence local elections. Moreover, it may be easier for the public to identify and attach responsibility for local decision making to the personality of an elected mayor rather than the more abstract notion of a party group.

Yet, an elected mayor certainly does not guarantee high public levels of interest and participation in local politics. Electoral turn-out in the United States is relatively weak, with municipal elections drawing an average one-third or less of those adults eligible to vote. This is somewhat less than turnout for British local government elections and considerably below the figures for local elections in most European countries. A number of factors may help to explain this low turn-out – not least the onerous voter registration requirements that operate in most states – but it is clear that the presence of an elected mayor does not guarantee a high local voting turn-out.

A further issue is whether an elected mayor may stimulate an incumbency bias. In the United States mayors do have a number of advantages if they seek re-election. Their name identification and their ability to attract funds to support their campaign makes it difficult for challengers. Established and sitting mayors are from time to time defeated but the system does in some respects support the incumbent if he/she is determined to hold on to their office. Indeed, 85 per cent of mayoral incumbents who seek re-election are successful. The actual rate of mayoral change from one election to the next is nearly 50 per cent; most of the turnover results from voluntary retirement – sometimes to seek another office – rather than from electoral defeat (see Wolman et al. 1990). One option that could be considered in the light of this incumbency bias is the possibility of some form of term limitation. An elected mayor could be restricted to two or three consecutive terms if it was felt that some turn-over in such a key executive position should be encouraged. Such term limitation does exist in some American cities.

What about the second dimension of participation? Could the mayor provide a focal point for local lobbying? Again, the elected mayor offers a potentially attractive option in that as a highly visible and prominent local figure the mayor is likely to attract a constant stream of citizen concerns, demands and worries. Moreover, the elected mayor is likely to be keen to be seen to respond to the demands and preferences of his/her constituents. It would be inappropriate if the elected mayor became the prime receiver of minor complaints in relation to service delivery but it would be desirable if a local political figure became the target for the public's attempts to challenge the major decisions of the council. The Widdicombe research (1986b, pp. 55–7) suggests that under the current system MPs are as likely as councillors to be seen as a channel for protest over 'really wrong' council decisions. Londoners especially showed a strong preference for using their MP ahead of their local councillor. Asked whom they would contact to challenge a 'really wrong' council decision, 49 per cent of people said they would contact a councillor and 47 per cent said they would contact an MP. In London, the respective figures were 35 and 53 per cent. Surely it would be desirable to have an elected local mayor performing this role rather than an MP whose prime responsibilities should be with national level policy making.

Some may not be convinced by such views, and an argument against a prominent role for an elected mayor in channelling public complaints and protests is that it opens up the way to a politicization of the system based on favours for friends and supporters. Rather than bureaucratic rules and professional judgment determining access to services, political loyalties and rewards would influence their allocation. In the US the politicization of service distribution was developed into a corrupt form of 'machine politics' in many cities. This form of politics has declined but elements of machine-style politics are still observable especially in cities with strong elected mayors.

Efficiency and local government

The evidence from the US is that mayors do not have a particular claim to contributing to the efficiency of service delivery. Some mayors have used their executive powers to set objectives, impose priorities and cut out duplication and waste in service delivery. For some US mayors their proudest boast is the efficiency of their city's services. Indeed, Clark and Ferguson (1983) conclude that efficiency is one of the characteristic values of a new group of mayors they characterize as 'New Fiscal Populists'. New Fiscal Populists tend to be fiscally conservative, socially liberal, Democratic and particularly drawn to searching for new policies to enhance productivity and efficiency.

Other mayors have not made efficiency their hallmark. Indeed, some observers note a propensity for mayors to spend lavish sums of money on highly visible projects – for example, civic or culture buildings – which enhance their reputation and status. Some mayors also are prepared to 'bend' their city's spending to serve their narrow political self-interests in a way that at times is unchallengeable and unfair to citizens. Indeed, one of the prime rationales of the municipal reformers for moving from a mayor-council system to a council-manager system was the

presumed increase in efficiency that would result from a professional city manager substituting his expertise based decisions for the politically based decisions of an elected mayor. On the other hand, defenders of the more politicized mayor-council systems argue that it is more responsive to citizen demands and preferences, particularly in cities with heterogeneous populations. (Early research supported the contention that mayor-council cities were more responsive, while more recent research has been less conclusive – for a review of the literature, see Welch and Bledsoe 1988.) Of course, it must be remembered that in the British context an elected mayor would not be substituting for a relatively unpoliticized system based on a professional city manager, but for an existing heavily politicized system that may already have many of the (adverse) efficiency and (beneficial) responsiveness characteristics associated with the mayor-council system.

What about the probable impact of an elected mayor on the effectiveness and quality of local government services? Will an elected mayor increase the ability of services such as housing management, education, refuse collection, street lighting, etc. to meet objectives and achieve desirable impacts? On the one hand, there is no reason to believe that a mayor will have greater knowledge than council members, the council leader, or the majority party group on how to organize and deliver public services more effectively. On the other hand, if the public focuses more directly on a highly visible elected mayor than on current local political entities, it may also hold the mayor more responsible for service quality. As a consequence the mayor may have a stronger incentive to be concerned with problems of service effectiveness and quality than is presently the case.

In addition, it is argued that the current British system of committee based local government leads councillors to focus on the details and requirements of service production rather than the needs of the consumer and the wider community (Stewart 1986). The cycle of committee meetings is driven by operational concerns and issues with little time or opportunity to reflect on the objectives of service delivery and the experience of service users. The arrival of an elected mayor would challenge this tradition and establish a figure who by necessity is divorced from the daily concerns and pressures of service delivery. The elected mayor could act as a counterweight to the local bureaucracy and a source of new ideas and approaches. The potential exists then for the elected mayor to engage in strategic decision-making and political communication with his/her area and the wider world. Such a focus to the work of an elected executive would seem to be desirable, leaving the professionally trained chief administrative officer to engage in the more routine management and administration of the council as an organization.

Yet such a role is not an automatic development and evidence from the US supports the idea that mayors can become caught up in the details of administration and service delivery. The findings from a recent review of the time spent by city mayors and city managers on specified roles are presented in table 2. The three roles include the following activities:

Administration role   Various administrative functions such as staffing, budgeting and supervision.

Policy role   Council agenda-setting, policy initiation and development, proposals for future of city.

Political role   Actions taken to enhance influence with state, federal and other local governments' officials, meetings with other external interests, public relations.

What the findings indicate is that although mayors spend less of their time on administration than city managers it still consumes, on average, the lion's share of their time. These admittedly rather crude and simplistic measures are, however, sufficient to support the broad proposition that mayors may not easily escape a detailed 'hands-on' involvement in the finer points of service production and administration. The chief administrative officer would have a key role in ensuring that the strategic and community leadership functions of the mayor were given time and space to develop.

Table 2 Mean percentage of time devoted to the administration, policy and political roles by city mayors and managers

| | Percentage of time devoted to specified roles | |
	Mayors	City managers
Administration role	44.2	50.8
Policy role	25.6	32.2
Political role	30.2	17.0

Source: D. N. Ammons and C. Newell (eds.) *City Executives*. State University of New York Press, 1989.

The potential contribution of an elected mayor to service effectiveness rests on his/her greater accountability and separation from the daily grind of service delivery. The role of mayor may also be valuable in those service areas where innovation or coordination is a key theme – land-use planning, transport and economic development. It is generally agreed that the internal 'steering function of local government' – its ability to plan, prioritize, direct itself towards coherent goals and organize and co-ordinate itself in order to achieve them – is an important aspect of its overall success. An elected executive mayor would establish a much more centralized internal government structure than the present British system; the mayor, at the top, would be in a hierarchical relationship to the rest of city government. Such a structure would provide a potential for stronger internal leadership and management than is presently the case. In addition, an executive mayor could increase the potential for local government to negotiate and bargain with external local elites. Feiock (1987), for example, argues that strong executive leaders are more likely to engage in economic development activities. Establishing a potential does not necessarily mean it will be used (not all American mayors provide strong internal leadership and management, nor do all engage effectively in economic development), nor that its use would necessarily be desirable. Centralization provides the capacity for concerted action; it does not guarantee that the actions or the results will be desirable.

Pluralism: the mayor as a counter-weight to national power

As elected, visible, figures mayors offer the potential in Britain of providing a counterweight to powerful national political leaders. Mayors of big cities, in particular, might be expected to attract considerable media attention and have the opportunity to present the concerns and needs of local government and their local communities. A network of elected mayors could provide a powerful *political* voice for local government in contrast – or in addition – to the current pattern of representation through local authority associations. A mayoral system may present advantages in negotiating with the European community because it provides an identifiable executive which is the dominant pattern in Europe (see Blair 1991).

In the United States, mayors as individuals do involve themselves in intergovernmental politics, particularly at the state level. Large city mayors tend to be highly involved in state policy making in an effort to protect and enhance their city's interests, negotiating both with governors and the state legislature. State politics frequently involve cleavages between city and 'out-state' interests in which much of the rest of the state unites in opposition to the interests of the state's largest city or cities. The extent to which mayors are successful in influencing state politics depends upon the relative weight of the city's population in the state and their ability to forge coalitions with other cities and with 'out-state' areas. However, mayors, working with the state legislators elected from their area, are usually active participants.

At the federal level, mayors are likely to be more influential through their association, the US Conference of Mayors, than individually. The Conference of Mayors, along with the National League of Cities to which many mayors also belong, are important interest groups that are routinely consulted (though in a less formal fashion than are British local government associations) by the Administration on urban related issues. They are seen as a legitimate representative of urban interests. In addition, both organizations are active legislative lobbyists putting pressure on congressmen elected from their members' districts to support their positions. However, their influence in Congress clearly reflects differences in the functions and operations of the legislature in the two countries (separation of powers versus unified powers in which the government perforce controls the legislature) and is, thus, quite unlikely to replicate itself with respect to the British parliament.

V. OTHER CONSIDERATIONS

It is important to sort out those characteristics of American municipal politics that are sometimes associated with mayors but may, in fact, result from other factors. There are three such characteristics to consider. First, American local politics are widely seen to be corrupt, particularly in comparison to British local politics. To what extent is this relatively greater corruption – particularly in the form of 'pay-offs', 'kick-backs', and other forms of illegal behaviour – a result of the presence of an elected mayor as opposed to broader elements in American political culture?

The municipal reform movement in the United States was in many respects a reaction to corruption, and the council-manager system was the solution. It is widely believed that corruption is now more widespread in the politicized mayor-council

systems than in the manager systems (although the former are also more prevalent in larger, more heterogeneous and less middle-class cities). The present British system is also highly politicized, but corruption, though clearly not absent, is relatively infrequent, despite the fact that councillors engage in the same kind of behaviour – for example, the letting of public contracts, which provide the vehicle for corrupt behaviour in the US.

The fact that an elected executive mayor implies a great *concentration* of power in a single individual rather than dispersal among many, raises the potential for perhaps more serious instances of corruption. However, we would argue that an increase in corruption resulting from the introduction of an elected mayor would be quite unlikely and that the reasons for the present difference in the prevalence of local government corruption between the two countries lies in political culture rather than institutional form. Nonetheless, the greater concentration of power does provide some reason for concern. The establishment of an elected mayor would best be accompanied by appropriate procedures and checks to ensure that decisions are made with due respect for their egality and probity.

A second question is that of the funding of election campaigns for mayors. American mayoral elections are quite expensive and campaign finance contributions from private individuals and interests play an important role. In a big city it would not be unusual for a candidate to spend $1 million on a mayoral campaign. The resulting problem is that elected officials may be beholden to these private interests and shape their public decisions in their favour. Would an elected mayor system in the British context lead to such a problem?

Campaign spending is high in the American context (at all levels) primarily because of the emphasis placed on candidate personality characteristics. Money is necessary for a candidate to gain name recognition and to inform the electorate about himself or herself (and, in negative campaigning, to inform the electorate about the opponent's defects). It is particularly necessary when political parties are either absent (in non-partisan elections) or weak, since in such a situation the electorate lacks information about a candidate that otherwise would provide important, if not critical, cues about the voting decision.

An elected mayor in Britain would focus attention on a single office and on a single individual. Almost inevitably this would mean a greater emphasis on the persona of an individual candidate, thus providing candidates with an incentive to spend substantially more money than is currently spent for councillor elections. However, unlike in the American situation, the presence of strong parties (assuming a British mayor would be elected in a partisan election) would substantially moderate the need to spend money on behalf of a specific candidate, for the public already is aware of highly important information – i.e., the party the candidate represents. In addition, British political culture, bolstered by political practice, would be unlikely to tolerate a substantial amount of campaign spending by mayoral candidates. In any case, there currently exist limits on councillor campaign spending, and these, suitably adjusted for the higher cost of standing in a larger constituency, could also be applied to mayoral elections.

Finally, it is frequently argued that mayors are often captured by powerful

external interests, particularly business. They are susceptible to capture partly because of the system of private campaign financing described above. In addition, given the problems of fragmentation and the resource constraints facing many city mayors they may enter their negotiations with external interests in a position of weakness. The result is that they become dependent on these external interests, accepting their agenda and abandoning their community to the demands of powerful sectional interests. Case studies abound in the US of cities where policy making and city planning have been handed over to a narrow group of land agents, property developers and large private corporations. In some cases the mayor appears to become the puppet of powerful and narrow economic elites rather than a representative of and advocate for the broad interests of community (see Logan and Molotch 1987). An empirical study of economic development policies in over 200 American cities appears to lend support to the assertion that 'a strong executive is particularly advantageous to business interests, since these interests need only deal with a single central authority rather than with a number of elected officials and can do so with the knowledge that the authority can deliver' (Feiock and Clingermayer 1986).

However, there is no particular reason to believe that an elected mayor would be any more susceptible to outside capture than are elected councillors at present. There are various structural reasons American mayors are dominated by business interests. Dependence on campaign financing from these interests has already been discussed. In addition, Peterson (1981) and others emphasize the peculiar structural characteristics of American city governments: their local finances are highly dependent on business location decisions since local businesses typically pay a substantial amount of the local property tax. As a consequence, mayors must be particularly sensitive to business concerns. In Britain local finances are largely divorced from business location decisions (see Wolman 1992). Moreover, some observers of US mayors stress that they have room for manoeuvre, limited though it may be by powerful economic and business forces. Echoing Dahl's (1961) conclusion quoted earlier that mayors are in a bargaining position, Jones and Bachelor (1986, pp. 204–5) argue that strong mayor systems may be more effective in dealing with big business because of the concentrated control of the mayor over political resources. More generally, American urban political scientists in recent work have stressed the role of political leadership and action in shaping the choices of cities rather than seeing the matter in terms of simple economic determinism and overwhelming business power (Stone 1989; Logan and Swanstrom 1990).

CONCLUSIONS

Throughout this article we have suggested that the establishment of elected mayors in the British system would constitute a major reform. Crucially it would create a visible and potentially powerful local political figure. The prime gain for local government would be in leadership capacity both in internal coordination and external relations. Especially in the management of relations with other government agencies, external interests and local citizens the mayor could provide a key focal point and driving force for a more dynamic and influential local government. It is

increasingly seen as desirable that local governments should have a wider enabling role, working with and through other organizations to pursue the various concerns of the local community (Clarke and Stewart 1988; Brooke 1989). Potentially, an elected mayor provides a valuable instrument for developing this enabling role. Their visible position and elected status gives them the opportunity and the authority to speak, negotiate and make demands on behalf of their community. Given the increasing fragmentation that characterizes British local government – the reorganization of elected local authorities and the rise of a whole array of non-elected local agencies – the elected mayor offers a means of bringing together the fragments and a focus for community government.

The case against the elected mayor, drawing from US experience, revolves around two points. The first is that an elected executive or strong mayor would constitute a centralization of power compared to existing arrangements. Such a concentration might weaken local democracy by limiting the plural channels for representation of interests that exist in the current British system. Any change towards a strong mayor system would require a strengthening of checks and balances, and a re-structuring of the representative elements of local government to act as a counter-weight to the powerful and visible status of the elected mayor. A second issue relates to whether the potential executive functions of the strong mayor can be realized in practice. The leadership demands on the mayor present a considerable burden on the individual that undertakes the role. The experience of the US suggests that some mayors become bogged down in administrative detail and others focus on a limited and narrow range of issues. Indeed it would be difficult for any incumbent to grasp the full range of leadership challenges provided by the role. The potential of the role of the elected mayor is only likely to be partially fulfilled by any incumbent.

We believe we have demonstrated the utility of policy learning across countries. The analysis of the role of mayor in the American system has permitted us to draw some useful and provocative inferences about the probable consequences of introducing a system of elected executive mayors in British local government. These inferences result not solely from an analysis of the operations of the mayor-council system in the US, but from an attempt to reason from the US experience about the likely effect of adopting the mayoral form and placing it in the specific British context. Such an exercise requires understanding of both the American and British systems and sensitivity to their relevant differences and similarities. We believe the result, however, well justifies Rose's hopes for prospective evaluation through cross-country policy learning by providing otherwise unavailable evidence about the likely effects of a potentially important reform.

Prospective evaluation provides information and analysis to aid the policy process. It is, of course, widely recognized that the outcome of policy debates also reflects the nature and strength of various political and bureaucratic interests. In the light of such forces what are the prospects for Britain adopting an experiment with directly elected executive mayors?

The reaction in local government circles to Heseltine's interest in elected mayors, and more broadly with respect to the consultation paper on internal management,

has not been one of overwhelming enthusiasm. The formal responses of the local authority associations to the consultation paper indicates little support for radical change. However the responses do suggest some interest in experimental reforms and informally many chief executives and leading members express support for both testing the current limits to practice and for experimenting with new patterns.

The negative reaction of the local government community is conditioned by three factors. The first is the relatively jaundiced climate of central-local relations. Proposals to restructive internal management in the context of a recent history of ill-judged and aggressive central intervention in local government are unlikely to have a receptive audience. Further, various measures introduced in the 1989 Local Government and Housing Act which seek to prescribe and constrain the internal management arrangements of local authorities sit uneasily alongside a consultation paper that calls for change, flexibility and experimentation. Central direction is one thing but for central interventions to contradict each other within the space of a few years is bound to encourage a degree of resentment and scepticism. A second factor conditioning local government's response is a commitment on the part of many councillors and officers to the committee based system which they know and understand. The committee system is seen as safeguarding the rights of minority parties, protecting the officers' ability to give advice as well as providing a platform for public scrutiny and the maintenance of probity in local authority decision-making. Finally, the radical plans for a shift to an executive elected mayor face the barrier of the tradition of party group democracy and decision-making which has grown up in the post-war period. As Widdicombe (1986a) made clear, in all parties group discussion and decision-making is prized and an elected, executive mayor could be seen as undermining that style of working.

The support for change in local government, however, has several sources. First, many local authorities have adopted or changed the operation of their committee system, some have an informal executive already in place, and several may wish to take forward the process with a more radical change in the formal arrangements of their local authorities. Second, leading figures in local government and in the local authority associations continue to express an interest in experiment and reform in terms of the internal political and management arrangements of local government. Finally the challenge facing local authorities to reinvigorate public interest and support, and revitalize local democracy, is unlikely to diminish during the 1990s and any reforms that might contribute in a positive way to restoring local government cannot be removed from the agenda of debate.

The interest and support for change at central government level is, like local government, balanced against radical across-the-board change. The enthusiasm of Heseltine and some in the Department of the Environment was not matched by many of his ministerial colleagues or many Conservative party backbenchers. The position of the new secretary of state is not known. Sceptics may share the concerns of some in local government outlined earlier, along with not being attracted by an elected mayor having a public profile and status which may surpass their own. None of the main opposition parties could be described as enthusiastic supporters of change.

To conclude, the prospects for a rapid, across-the-board adoption of the US-style executive elected mayor are modest. However the establishment of a programme of experiment in which individual authorities might make radical changes to their existing political and managerial arrangements, including the option of an elected executive mayor, cannot be ruled out.

NOTE

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INTEREST GROUPS AND BUREAUCRATS IN A PARTY-DEMOCRACY: THE CASE OF ISRAEL

YAEL YISHAI

The relationship between interest groups and state bureaucrats in a party democracy tends to be based on parentela ties involving party mediation and resulting in deep and reciprocal commitment. The contacts between administrators and interest groups in Israel present a deviant case. The paper shows that despite the fact that Israel portrays the characteristics of a party-democracy, interest groups gravitate towards the administration rather than toward political parties. Senior government officials interact extensively with interest groups; but at the same time they tend to discount the groups' activity. These deviations have been explained by the limited scope of interest group demands and the hybrid nature of Israel's administrative culture.

Relationships between interest groups and bureaucrats have attracted wide scholarly attention not only because they provide an important key to understanding public policy-making but also because they bring to light the norms shaping the interaction between state and society. Civil servants personify state authorities; interest groups, despite their highly structured organizational framework, represent society (Suleiman 1987). The prevailing literature on the interaction between voluntary associations and state bureaucrats in industrialized democracies suggests a multiplicity of forms of relationship with considerable scope for discretion open to officials in determining their shape (Jordan and Richardson 1987a). The 'sectorization' characterizing the policy process contributes to the variety of contacts between bureaucrats and interest groups across all policy areas (Jordan and Richardson 1987b, p. 164). Yet, it has been widely agreed that interest groups and state bureaucrats tend to forge a close alliance based on a tradeoff: interest groups are attracted to bureaucrats because of their unmistakable impact on policy formulation and implementation. The bureaucrats hold an advantage in policy knowledge that naturally secures for them a role in designing public policy. The political discretion exercised by officials in carrying out 'incomplete' laws adds to their undisputed power in national policy-making (Chubb 1983, p. 20). In their quest for influence and tangible benefits interest groups find it useful to maintain a close relationship with senior state officials.

Yael Yishai is an Associate Professor in the Department of Political Science, University of Haifa, Israel.

Administrators, on their part, tend to incline towards representatives of resource-rich interest groups in what has been called a 'clientelistic' relationship. Picking up the idea from LaPalombara (1964), Olsen (1981, p. 493) suggested that clientele relationships between administrators and interest groups develop when 'An organization succeeds in becoming accepted by a governmental agency as the primary expression and representation of a given interest'. Clientela is based on long-term and well-bounded interests shared by interest groups and state agencies (Avery 1975). Bureaucratic inclination to legitimize powerful interest groups appears to be widespread in both parliamentary and presidential democracies. In Great Britain, Christoph (1975, p. 47) has suggested that although part of the job of civil servants is to analyse, verify, and pass on to the higher decision centres the claims of groups based on merit alone, 'it would be unnatural if officials did not identify in some way with the interests of their clienteles'. Close ties between interest groups and bureaucrats have been identified also in presidential systems of government. Theodore Lowi (1979) explains US policy in the 1970s as government by 'permanent receivership' in which interest groups had much to gain. By using a variety of administrative arrangements such as economic regulation the government under-wrote the stability of the associations and shared its policy-making authority with them. Even in France, where the power of the bureaucracy was noted to be over-whelming, state administrators tend to develop close relations with interest groups (Wilson 1987; Suleiman 1974, 1987).

The interaction between administrators and interest groups may take on an even closer form in a party democracy. Party democracy, as the title implies, is a regime where political parties are the major agents for the resolution of key political issues. Their influence is not confined to the electoral arena but permeates the civil service. LaPalombara's seminal study of interest politics in Italy (1964) has been so far the only clue to understanding the relationship between interest groups, bureaucrats and political parties. Although the power of bureaucrats in Italy has been formidable, administrators have their own clients in society, and seek the collaboration of interest groups and organizations. In the process of soliciting their 'cooperation' the bureaucrats have developed two types of relationship with interest groups. First, clientela, which is akin to the contacts prevailing in other industrial democracies. In party-democracies, however, relationship may also take the form of *parentela,* based on kin ties where the influence of the party is pervasive. A *parente* is a member of one's family and is entitled thereby to special consideration and unique privileges. In modern politics, parentela involves a close relationship between certain associations and bureaucrats on the one hand, and the political dominant party on the other. The conditions for the development of a parentela relationship are the existence of a hegemonic party, one unchallenged by serious rivals, and its willingness to act on behalf of its kin groups. Parentela also requires that associations succeed in finding a place inside the party (La Palombara 1964, p. 306). Thus in the case of a party-democracy relationships between interest groups and bureaucrats are thus close not only because of mutual benefit, but are cast in the iron of a kin-type commitment. Furthermore, the important role played by political parties in mediating between interest groups

and bureaucrats shifts the focus of interest group activity from the bureaucracy to the partisan arena. Playing a role of 'patrons' who make *raccomandazioni* on behalf of clients, political parties provide key channels through which interest groups can make their needs and demands felt (La Palombara 1987, p. 210). Parentela, in short, is more compelling than clientela. It entails a mutual commitment based on historical alliance and shared values.

The purpose of this article is to add Israel, a typical party democracy, to the list of states where relationship between interest groups and bureaucrats has been studied and to understand the factors that shape these relationships. My main argument, based on an empirical study of associations and senior officials in the country, is that although Israel is a party-democracy, political parties appear to play a more modest role than believed in interest group politics. Furthermore, bureaucrats not only refrain from forging parentela relationships with interest groups, but actually delegitimize their activity. These propositions will be tested by (a) presenting the characteristics that make Israel a party-democracy; (b) analysing the structural properties and strategies of the associations under investigation, and (c) exploring the attitudes of the administrative elite. The article will conclude by offering some hypothetical explanations for the particular forms of interaction between interest groups and bureaucrats in the Israeli polity. It is suggested that the factors determining group-state relationship lie in the nature of group demands and the attributes of the administrative culture.

DATA AND METHODOLOGY

The data on interest group politics in Israel were drawn from two major sources: mail questionnaires and interviews. The questionnaires were answered (in 1988/9) by 162 of the 277 associational interest groups listed in the telephone directories of the country's three major cities (Tel Aviv, Jerusalem, and Haifa). Interviews were conducted (during 1989) with leaders of 62 principal interest groups, identified on the basis of their public reputation. The sample included, among others, 79 economic (also called sectional) associations that are the focus of this article. The economic category includes all major labour, agriculture, trade, industry, business, and professional associations in the country. Data on bureaucrats was derived from interviews conducted (from November 1988 to June 1989) with 41 senior officials (12 directors-general and 29 deputy directors-general), probing their contacts with and attitudes toward interest groups. The bureaucrats occupied senior positions in 13 government ministries divided into two sub-categories. The first category includes ministries responsible for dispensing and producing *resources* (including the ministries of finance, industry and commerce, economic affairs, tourism, transporation, communication, energy, and construction); the second category is composed of ministries whose major responsibility is to provide and supervise *services* (ministries of education, welfare, health, interior, justice, environment, absorption, and defence) (Yishai 1991). Both the ministries and the senior officials were chosen on the basis of their responsibility for domains having important relevance to interest group activity.

ISRAEL AS A PARTY-STATE

All leading Israeli political scientists (Akzin 1955; Gutmann 1977; Galnoor 1982; Arian 1989) unanimously agree that Israel has been a party-state in which effective political power is heavily concentrated in the hands of political parties. Party democracy is distinguished from other forms of constitutional democracy by the presence of the five following characteristics.

(a) Partisan control of access to public office.

The first characteristic of a party-democracy is the making of public policy by persons elected to governmental positions solely on the basis of their political party affiliation (LaPalombara 1987, p. 211). In Israel this has been precisely the case. The electoral system, a strict proportional representation system, allows little freedom for individual initiatives in the electoral contest. Although Israelis enjoy free access to party channels and can try to get themselves elected to the party's institutions, once they are elected their statements invariably reflect the party's voice (Galnoor 1982, p. 36). The major reason is the nomination system to the electoral lists. Until the late 1970s a small nominations committee in each party controlled the power of choosing candidates (Sager 1985, p. 50). In the 1980s the power of making up the parliamentary list was transferred to the party's Center, composed of thousands of members. Yet no popular voice in the selection of representatives – in the form, for example, of open primaries – has been introduced, leaving the nomination process in the hands of party headquarters.

(b) Centralized organizational structure of political parties.

In a party democracy each party has a centralized and cohesive organizational structure, with authority over its members. Israeli parties have indeed maintained a centralized and hierarchical organizational structure. Party finances and local branch activity are centrally controlled (Yanai 1981, p. 206). A certain measure of authority is delegated to the party's members in parliament, but party discipline is an ever-present reality. Each party, through one of its officers, sees to the attendance and voting of its members. Party discipline is reinforced by the delegates' dependence on party leaders for re-election. The unchallenged right of the party over committee assignments and the operation of the Knesset rules also strengthens party control and increases the representatives' dependence on central decisions. Consequently, breach of party discipline in Knesset votes is rare.

(c) Parties as agents of mobilization and socialization

The political parties of a party-democracy do not consider it sufficient to secure the vote but take on social functions, often parallel to those of the state. This has been the case in Israel, where parties sponsored agricultural movements, industrial and construction enterprises, recreational activities and welfare services. Party participation in social services is most prominent today in the health domain, which has retained many of its partisan attributes. The largest sick fund in the country, the General Sick Fund (*Kupat Holim*) associated with the Labor Party, virtually monopolizes the provision of health care in some spheres, especially in primary

care (Arian 1981). The party's imprint is seen, too, in the state-controlled media communication network whose governing bodies are nominated on the basis of partisan affiliation. Parties have played a major role in political socialization by incorporating new constituencies into the political mainstream (Medding 1972). Using a rich repertoire of strategies, including ideological appeals, policy promises, and (not least) the distribution of rewards, Israeli political parties have successfully welded the wide variety of ethnic and social groups in the nation into one large inclusive constituency. Auxiliary groups (such as women's associations) play a considerable role in aiding parties to function as agents of mobilization.

(d) The salience of politics
In a party-democracy politics naturally acquires a high salience. Czudnowski (1970, p. 242) has defined the index of political salience as the ratio between the rank order of goals sought through political action and that of goals sought through economic, social, or other non-political action, where goals are ranked according to the subjective preferences of individuals or groups. For Israel this ratio has been extremely high because both the demand for and the supply of resources in large sectors of the country's social and economic life have been dominated by political motivations and handled by political organizations (Horowitz and Lissak 1978). Major national and individual goals have been accomplished through public investments and through services supplied by party-controlled organizations.

(e) Political culture
Finally, in a party-state both the élite and the public believe that political parties hold power. That parties are secure in their grip on power is evident from their relative insulation from the public mood. Amos Elon has noted the paternalism of party leaders, which 'grew naturally from their role as a self-proclaimed pioneer élite' (1981, p. 311). The general public's conviction that political parties indeed occupy major positions in the power structure is evident from responses by the interest groups researched in this study. A sizeable majority (61.9 per cent) strongly adhered to the statement that political parties are the *major* source of power in the country. Only a fraction (3.2 per cent) said that political parties wielded no power.

   During the four decades of Israel's statehood there has been some reduction in the scope of the functions performed by political parties and in the extent of their involvement in people's lives (Horowitz and Lissak 1989, p. 176–7), but their primacy has not been challenged. Given the importance of parties in Israel's political life, interest groups might be expected to adhere to the parentela configuration and direct their efforts at party institutions or leaders, rather than directly at the administrative branch of government. The data from my study of interest groups do not confirm this contention.

STRUCTURAL CHARACTERISTICS OF ISRAELI SECTIONAL INTEREST GROUPS

Sectional interest groups in Israel may be divided into two sub-categories: those maintaining organizational links with political parties and those operating outside

their confines. Chief among the first category are Israel's giant trade union movement (Histadrut) and the agricultural groups, known as 'settlement movements'. The strong partisan accent of these associations has two major manifestations: internal elections are held on the basis of party lists, and nominations to major group leadership positions are made by parties' institutions. However, political parties' control over the associational policy-making process has largely attenuated. Despite the organizational linkage even the interest groups traditionally associated with party machines have become more independent. Their autonomy has increased their freedom to choose the target most fit to advance their goals.

The remaining sectional associations have escaped party permeation. Prominent among these are the Manufacturers' Association (MA), representing the private sector of Israeli industry, the Chamber of Commerce (CC) serving as a peak association for some 15 business groups, and the Center of Builders and Contractors (CBC) representing the interests of the private building enterprise. Many of the professional associations have also remained outside the grip of political parties. The Israel Medical Association (IMA), for example, has succeeded in maintaining its autonomy despite strong pressures to join the Labour Federation. In pursuing 'private' aims most of the groups in the economic sector challenged prevailing ideologies. Economic groups nevertheless proved to be highly successful in accumulating resources.

The majority of the interest groups in the economic category are well-funded, well-staffed, and highly organized. The organizational resources accumulated since the early days of Jewish settlement in the country verify their eligibility for reciprocal relations with the authorities. The interest groups' centralization and their dominance in their own sector have been major organizational assets. The high membership density (percentage of members out of those eligible for membership) is one indicator of the associations' resourcefulness. Some organizations, such as the Union of Hotel Owners, claim 100 per cent membership. This has also been the case in the settlement movements, as agriculture in Israel is not only a vocation but a way of life; all those residing in the settlement belong to their movement. Other organizations do not lag much behind. The Histadrut monopolizes the representation of wage-earners in the country. About two-thirds of the Israelis are members of the Labour Federation that has been described as a 'state within the state' (Sharkansky 1979, p. 76). Even the Manufacturers Association reported a membership density of 90 per cent despite extremely high dues. Membership in professional associations also runs extremely high. In one group – the Bar Association – membership is all-inclusive owing to the Bar Bureau Law of 1962 which gave the association statutory recognition and made membership mandatory. Many other professional associations have registered all those eligible to join. For example, all Israeli physicians, regardless of speciality, seniority, nationality or occupation are organized in one medical association; all engineers, architects and those employed in 'technical jobs' joined the Bureau of Engineers.

Three factors have been conducive to the high degree of concentration among economic interest groups: first, the title of 'representative group', granted by the state to an association deemed to speak on behalf of its constituency, acts against

proliferation. Although no government subsidies or material benefits are involved, a state recognition is highly valued. Splinter groups have much to lose by forfeiting the intangible but very real rewards accorded to representative groups. Second, Israeli interest groups tend to mirror the general distribution of power in the society. Although decentralization of power has taken place giving rise to what has been called 'territorial democracy' (Elazar 1986) the country is still highly centralized. Most public policy decisions are made by central political organs. The third factor applies only to the professional domain. The majority of Israel's labour force (79.9 per cent) are salaried employees. In public services, including education and health services, the proportion of self-employed was as low as 4.9 per cent in 1989 (Statistical Abstract 1990, p. 335). The benefits of concentration are most conspicuous during wage negotiations. Associational monopoly makes strikes more effective in wage disputes and adds to the bargaining chips held by workers.

Sectional interest groups are actively engaged in influencing the authorities. The wide involvement of the state in the country's economy (Sharkansky 1987) raises the stakes of their efforts. Have the characteristics of Israel as a party-democracy influenced their choice of strategies?

INTEREST GROUP STRATEGIES

If, indeed, Israel is a party-democracy then the following tabulation of Israeli interest group strategies reveals a serious discrepancy between the theory and the means chosen by Israeli associations to convey their demands. Table 1 presents an overview of interest group strategies in the three years preceding the study, as reported by the groups' activists and leaders. A comparison between the party-affiliated and the autonomous sectional groups is aimed at providing a more persuasive evidence of the choices made by interest groups. Significant variation between the two types of economic associations may substantiate the parentela hypothesis at least in regard to the party-affiliated interest groups. The picture that emerges is clear-cut, however, for both categories of interest groups: it does not confirm the centrality of political parties in the groups' choice of targets. In fact, data do not show wide variation between the two types of sectional associations.

The most striking finding of the study is the limited extent to which economic interest groups of all types and shades appeal to political parties. Although party-affiliated associations do contact parties in a somewhat higher frequency than their autonomous counterparts (33.0 per cent and 23.7 per cent, respectively), the percentage of groups choosing parties as a target of influence on a regular basis is strikingly low. That the parties are not a prime target for group activity is evident also from the relatively low incidence of recourse to the Knesset. Only about half of all sectional interest groups reported lobbying the legislature as a regular strategy.

If political parties and their Knesset representatives are not considered a prime target for influence, interest groups are left with four main choices: direct action (in the form of strikes or protest demonstrations), litigation, recourse to mass media and contacts with the administration, either in their formal bureaucratic capacity or on a personal basis. Data reveal that economic interest groups of both types are reluctant to use direct action as a form of influence. This strategy is reserved

mainly to promotional associations mobilizing public opinion as a means of influence. Litigation, too, is an uncommon strategy although it is practised occasionally by trade unions and professional associations in their appeals to labour courts regarding wage disputes. Recourse to mass media is more common among the autonomous associations than among the party-affiliated organizations, but it, too, is not a major strategy in terms of overall frequency.

Direct appeals to administrative decision-makers stand out as the most frequent strategy employed by all types of sectional interest groups. Most prominent is the tendency to contact administrators on a personal basis. The ability of group representatives to establish personal contacts with decision-makers has been attributed by Arian (1985, p. 194) to 'the relatively small numbers of people at the apex of the pyramid'. The movement between the administrative and the group elites provides ample opportunities to establish social contacts. For example, the general manager of the Manufacturers Association faces little obstacle in contacting top administrators in the Ministry of Industry and Commerce, where he formerly served as a director-general. The geographic concentration of the country's elite (most of whom reside in the Tel Aviv region) has also contributed to the development of social contacts between the administrative and the associational elites.

Slightly lower on the scale of strategies, but still enjoying a high priority is the formal interaction of interest groups with state bureaucrats. Contacts with the administration take various forms: letters, phone calls, and face-to-face meetings. Neither the variety nor the volume of these contacts appear to change with the turnover in government. No matter who is the incumbent minister of housing, 'contacts' are still part of the Center of Builders' and Contractors daily routine. Likewise, the ever-changing tax regulations trigger intensive interaction between the Bureau of Accountants and the relevant authorities in the Finance Ministry; the doctors, too, are not impressed by a new incumbent Minister of Health, pressing their demands for higher wages with the same vigour and intensity.

Interaction with state authorities is not confined only to the bureaucracy. Interest group representatives maintain close contacts with government ministers. An overwhelming majority of both autonomous and party-affiliated associations (83.0 per cent and 78.4 per cent, respectively) reported on meeting a minister in the year preceding the research. Only rarely (7.1 per cent among autonomous associations and 14.9 per cent among party-affiliated groups) was a meeting requested by a group denied by the minister.

That interest groups tilt heavily towards the administration is evident also from answers to the question probing trends in interaction over time. Interest group leaders were asked whether their contacts with public authorities had changed in the decade preceding the study. The data reveal a rather stable pattern, as many interest groups cannot trace any significant change. This finding in itself lends further evidence to the depoliticization of interest politics. A major turnover in power that took place when the Labour-Alignment was replaced in 1977 after thirty years in government by its rival Likud, seems to have had little effect on patterns of state-group interaction. Changes that did take place (presented in table 2) further verify the tendency of interest groups to drift away from party politics. Half of

the autonomous sectional interest groups and about a third of the promotional associations reported strengthening their contacts with the government during the ten years preceding the research (the proportion of those reporting that contacts with the executive weakened is extremely low).

Table 1 Reported frequency of recourse to strategies of influence* (%) (often and occasionally)

| | Interest group category | | | |
	Autonomous	N	Party-affiliated	N
Demonstrations & strikes	17.5	40	30.5	36
Litigation	23.1	39	21.2	33
Parliamentary lobby	56.5	39	57.6	33
Mass media	68.6	38	48.3	33
Personal contacts	86.9	38	81.8	33
Contacts with officials	82.1	39	79.4	34
Contacts with parties	23.7	38	33.0	33

Source: Questionnaires of interest groups study
* The table presents the percentage of interest groups reporting recourse to a given strategy in the three years preceding the study. Variation in N is due to the fact that each strategy was accorded a different question.

Table 2 Trends over time in contacts of groups with public authorities (percent reporting)

| | Type of group | | | | | |
| | Autonomous | | | Party-affiliated | | |
	+	−	N	+	−	N
Knesset	31.7	2.4	41	25.0	11.1	36
Government	50.0	4.8	42	30.6	8.3	36
Parties	14.2	9.5	42	11.1	13.9	36

Source: Questionnaires of interest group study
+ Contacts have strengthened
− Contacts have weakened

These figures are particularly impressive when compared with the trends in inclination toward political parties. The waning of parentela relationship is clearly evident, more so among the party-affiliated groups. Only 14.2 per cent of the autonomous groups and 11.1 per cent of the party-affiliated associations made the parties a more frequent target of communication. The proportion of groups reporting on strengthening their ties with political parties (strikingly low in all categories) was lower among groups that have been members of a partisan 'family'. In fact, weakening of ties was more prominent in regard to political parties than in regard to any other authority. The increased interaction with the administration appears to overshadow contacts with the Knesset. Those reporting intensified

contacts with the legislature are far fewer than those who increased their contacts with the administration.

It is thus evident that the government bureaucracy is the primary target of group influence, rather than the all-pervasive political parties. The rules pertaining to interest group choice of strategy in a party-democracy have not been confirmed in the case of Israel.

THE ADMINISTRATORS' ATTITUDES

The discussion of administrative attitudes toward interest groups was guided by a principal question: do administrators reciprocate by acknowledging associations' legitimacy and incorporating them into the policy process? The Israeli economic interest groups look like ideal partners for state administrators: they control knowledge and expertise, they can be expected to deliver their constituencies' consent; their cooperation may prove extremely valuable in implementing the government's policies. Before delving into the specific aspects of the administrators' relations with interest groups the general pattern of policy making was probed. Already at this initial stage of investigation it became apparent that the bureaucracy considers itself highly autonomous as regards the process of policy-making. When asked about the principal source of influence on policy formation all officials, without exception, concentrated on actors within their agency. Some stressed the role of the minister, others of the director-general; still others referred to the contribution of other senior officials. Their answers appear to reflect differences in personalities rather than in structural patterns of policy making. In the view of the senior officials, the executive branch of government, and it alone, dominates the policy process.

Given the primacy of the administration as a target of interest group strategies, the officials were asked to confirm this picture from their own perspective. Inter-action between top administrators and interest group representatives is indeed intensive, and growing. Not all the officials communicated with groups to the same extent, but only two of the 41 officials interviewed for this study stated their contacts with associations were 'rare', whereas the majority (65.8 per cent) stated that interaction with interest groups had intensified compared to the past. The purpose of communication, as viewed by more than half of the senior officials (53.7 per cent), was to seek information and opinions from those affected by a given administrative decision. So far, the rule of clientelism seems to be working: high frequency of interaction between bureaucrats and interest groups aimed at enhancing the efficiency of the policy process. When it came to evaluating the groups' *contribution* to the ministry's activity, however, the picture that emerged deviated from this rule. No evidence of an allegiance based on parentela links could be traced.

Interest groups, even in pluralistic societies, can hardly be expected to deter-mine the department's agenda (Kingdon 1984). This is also true in Israel, particularly in the economic domain, where interest groups appear to play a limited role in formulating topics for discussion. Only 14 per cent of the senior officials conceded that groups' initiatives had triggered further administrative activity. Surprisingly,

interest groups' role in delivering government programmes and aiding in their implementation is also considered modest, with less than a third among both categories of ministries reporting such roles for groups. The most popular answer among senior officials was to describe the function of interest groups in terms of mobilization. They saw associations as instruments for transmitting ideas, values, and programmes from the administrative elite to the rank-and-file membership. A widely held opinion was that interest groups create an effective buffer between the officials and the group's constituency, shielding the bureaucrats from excessive grassroots pressure. The question still remains open whether the top administrators appreciated this contribution and acknowledged the role of interest groups in public life.

Further probing of the officials' attitudes revealed that although the answer to this question is equivocal, they tend to be very suspicious of interaction with interest groups. The source of this wariness varies by the type of ministry. When asked about the disadvantages involved in contact with interest groups over half (54.5 per cent) of the senior officials in the economic ministries spoke of untoward results. Aware of the interest groups' power to disrupt production, they shunned what was described as excessive pressure on those responsible for the operation of the national economy. A successful lobbying campaign for lower import duty or relaxing restrictions by the importers of textile products, for example, could make local textile producers less competitive and raise the unemployment rate; a strike staged by engineers and technicians could disrupt the provision of electricity and wreak havoc with the national economy; the country's health was allegedly deteriorating owing to recurrent strikes of medical practitioners. Senior officials at the service ministries were also concerned with the outcomes of groups' activity, albeit from a different angle. What bothered them was the 'blurring of the national interest'. The fact that interest groups often took the lead by initiating projects to advance their cause was a source of discontent to senior officials who preferred to advance at their own pace and make decisions based on their own priorities. The efforts of the Heart Association to install catheterization equipment in the cardiac departments of hospitals and make the government subsidize their operation is a good example in point. Such efforts, according to the officials' view, were incompatible with the 'national interest', in that they were geared to produce particular benefits tailored along the group's objectives, rather than advance the welfare of the general population. The fact that these benefits were not selectively rewarding the group membership was of little comfort to the officials, concerned about the promotion of a specific 'interest' as defined by a specific group.

The 'national interest' theme was recurrent in senior officials' responses to a straightforward question asking whether interest groups should or should not be regularly consulted in the decision-making process. The answers revealed considerable reservations on the part of the bureaucrats about interacting with interest groups. Only a minority of all officials (22.7 per cent among the economic ministries and 15.7 per cent among the service ministries) outright rejected regular consultation with interest groups. Nearly two-fifths of all officials endorsed a positive answer (more so among the economic ministries than among the service ministries). The remainder equivocated. They stated that consultation with interest groups was desirable only when the groups fulfilled the following conditions:

— adherence to an objective other than material benefits for their own membership;
— cooperating with senior officials rather than prodding them to yield to a group's pressure;
— following the 'rules of the game' rather than playing tricks such as pulling strings behind the official's back;
— acting for the benefit of the ministry, not against it;
— coordinating their activities with the administrators, especially in regard to pressures on other branches of government;
— finally, and most emphatically, promoting the national interest rather than focusing exclusively on their own.

The implication of these conditions was that regular consultation was desirable so long as a group refrained from acting 'selfishly' and kept the general welfare in view; ceased pursuing material objectives and espoused general values – in short, stopped promoting 'interests' and stopped being a 'group'. These findings suggest a large measure of resentment towards interest groups among senior officials, regardless of the ministry. Sectional groups were not favoured over promotional associations, both of which were castigated for their 'selfishness'. 'They can see as far as their pockets' was how one official summed up his objections. Powerful economic groups were accused of blocking reforms aimed at making the system work more efficiently. Even the Bar Association, enjoying institutionalized co-operation with government in the best corporatist tradition was denounced for obstructing a proposed judicial reform. Prominent groups were charged with distorting the 'real' issues, focusing instead on problems relevant to their leaders' immediate concerns. Senior administrators perceived themselves, on the other hand, as custodians of the national interest in the face of obtrusive, self-centred interest groups. They pictured themselves as professionals whose task is to make policy in accordance with political guidelines, shaped by national authorities (i.e. parliament and government). Interest groups were of little help in reaching this objective. Cooperation and legitimation of interest groups was thus marred by strong views of senior state officials, less evident in the economic than in the service ministries, but overall prevalent to a extent that calls into question the validity of the parentela practice in party democracies.

SOME EXPLANATIONS

Israeli interest groups face an uneasy task in their attempts to advance their cause: although they operate within the context of a party-state they direct their influence primarily at the administration rather than at the parties; and the road to influence is fraught with difficulties in the form of widely held negative administrative attitudes. One result of these circumstances is a rather low efficacy demonstrated by interest groups. When asked to evaluate their 'veto power' (whether a state policy affecting their members can be enforced if their group is adamantly opposed to it) a pessimistic outlook emerged even among the most powerful and prestigious interest groups. Over half (56.2 per cent) of the autonomous economic associations and a third of the party-affiliated groups stated that 'veto over state policy

is possible only under exceptional circumstances'. Only a minority (34.4 per cent of the autonomous organizations and 29.0 per cent among the party-affiliated groups) said that 'a decision cannot be enforced in the face of a group's staunch opposition'. Having forgone the parties as regular targets for influence and not having been granted legitimacy by the administrative authority, many group leaders were frustrated with their inability to influence public policy.

Unlike their Italian counterparts Israeli interest groups do not gravitate towards the political organ occupying a central position in the power structure. The picture that emerges from the study of interest politics depicts associations overlooking the power distribution in society. One explanation may be offered by the type of demand presented by sectional associations. Students of British interest politics have suggested that the type of demand being made by interest groups is a major factor determining their choice of strategies. Issues of principle, also called 'status group issues' (Peterson 1971; Newton and Morris 1975) aimed at redistribution of collective assets, are processed by political parties. The bureaucracy is left with smaller issues involving interests narrower than those affecting one whole stratum. These propositions appear to hold true at the Israeli national level.

A review of the goals adopted by Israeli interest groups reveals a paradoxical picture. Many associations throughout the Western world couch their objectives in collectivist rhetoric. They are often reluctant to convey conspicuously self-interested demands. Well aware of the generally derogative connotations of 'factionalism', interest groups prefer to downplay the personal and material stake of their membership in the desired policy outcome. Israeli interest groups are no exception. In fact, this practice is carried to extremes in Israel, where a comprehensive socializing network encourages individuals to bring their personal wishes into accord with national goals. They are led to believe that their personal well-being is inseparable from that of the state. Furthermore, the state itself is publicly committed to act 'unselfishly' by safeguarding the interests of Jewish people persecuted in other states. Principles of foreign and domestic policy are derived from this collectivist commitment. The primacy of collective goals has perhaps dimmed over time (Eisenstadt 1985), but collective values still loom larger than in other Western-style democracies.

The attempt to downplay the 'selfishness' of interest group activity is evident in the statements of their leaders and in their written regulations. It is hardly surprising that the Society for the Protection of Nature endorses collective goals. It is, by definition, a *public* interest group. Support by groups of intellectuals such as the Association of Writers or the Teachers' Federation for national objectives is also understandable in view of their historical role in mobilizing the newcomers and welding the Israelis into one nation (Ben-David 1970). But the Manufacturers Association, the Banks Union, and the Association of Truck Drivers, among others, have also joined the collectively-oriented club.

Why, then, do these interest groups prefer to communicate with the administration rather than with party representatives that in Israel carry the ideological banner? The answer is simple enough: since the 1950s, when several important laws including, among others, the National Insurance Law, the Employment Service

Law, and the National Education Law, policy-making in Israel has tended to be distributive (Lowi 1964). The state has granted benefits to many constituencies: residents of development towns received generous tax deductions; farmers were granted compensation for natural disasters; disability allotment was annually raised; and physicians were given permission to work a 'second shift', which for all practical purposes, resulted in a considerable pay rise. These were the benefits mostly sought by interest groups. Professional organizations have focused their demands on raising the salaries of their members; business groups have sought subsidies for certain products, cheaper and more available credit, or de-regulation. Even promotional associations, dedicated to the advancement of a public cause, have taken the same narrow track. The Society for the Protection of Nature, the major ecological group in the country, for example, has concentrated its demands on concrete policy decisions. It protested against the construction of a road potentially damaging to the natural landscape. It hardly challenged the government for its continuing neglect of environmental concerns resulting in increasing air and water pollution.

Using collective language to present particular demands is thus a fundamental characteristic of Israeli interest groups, directing their efforts at the authority most fit to deal with these demands. Political parties have retained many of their strongholds, and still loom large in public views, but the responsibility for the distribution of national resources has shifted to state agencies. One of the most important characteristics of the state bureaucracy is the broad sweep of its intervention and involvement in Israel's economy. In the absence of a broad national scheme underlying the principles of allocation, the administration has gained an immense power in determining its details. Interest groups of all types and shades do not opt for a grand design. Their desire for tangible and immediate benefits overrides their verbal commitment to collective goals. Thus interest group vocabulary abounds with ideological themes; but what they actually want is to attain certain narrow, pragmatic, and down to earth objectives. Their immediate needs shape their map of targets, rather than the visions they used to share with the holders of power.

Israeli administrators also operate in an ambivalent environment, oscillating between professionalism and partisanship (Danet 1989). As professionals, they tend to interact with associations and adhere to some components of the clientelistic rule. As party protégés they are reluctant to acknowledge the legitimacy of interest groups. No direct data exist on the political affiliations of Israeli bureaucrats. Those familiar with the situation acknowledge the duality of the bureaucrats' role. Much subtle partisanship still informs the state bureaucracy. As one moves up the ladder of power in the administrative hierarchy, partisan considerations become harder to avoid, the political affiliation of a candidate for senior administrative position being one of the determining factors for acceptance and promotion.

However, this is not to say that administrators operate in a wholly politicized atmosphere or that their decisions are dictated by their political colour. At least formally the openness of the civil service to members of all political parties was accepted as a compelling norm already in the early days of statehood. The Civil Service Law of 1958 made the examination system mandatory as a basis for

recruitment and promotion. Senior officials may be passive party members, but they are forbidden to take part in a political demonstration, or to participate in the campaign activity of any political party competing for Knesset representation. They are not allowed to engage in overt political action or (according to recent legislation) to belong to the central organ of any political party. These measures have not totally eradicated the politicization of the civil service, but decisions made by bureaucrats in their everyday contacts with the public are hardly affected by partisan considerations (Horowitz and Lissak 1989, p. 163).

The overwhelming majority of senior officials interviewed in the course of this study (all but two) explicitly denied any partisan connections. They preferred the public (and the researcher) to see them as 'civil servants'. According to their own statements, they were guided by the 'national interest' as spelled out by the national elected bodies representing interests of all political parties. By denying partisanship the bureaucrats were not trying to deceive the interviewer. The fact of the matter is that they operate in a hybrid environment, beset by the tension between partisanship, which they understand as representing particular interests, and universalism associated with professional conduct.

CONCLUSIONS

The study of interest group politics in Israel has revealed some deviations from accepted generalizations of interest group theory. It shows that even though Israel is a party-democracy, organized associations in the economic domain direct their activity at the administration rather than at the reputedly more powerful political parties. The study also shows that administrators in both economic and service ministries, rather than coalescing with interest groups in a parentela-type affinity, actually regard with suspicion, if not with resentment, the latter's attempt to influence public policy. What can be learned from these findings about Israeli politics and about interest group theory in general?

On the face of it, Israeli politics present some difficulties for interest group theory. Although the state's administration is distinct from the party machine, is not subservient to party discipline, and abides by a different set of rules, Israel is still, to a large extent, a party-democracy. On the face of it, interest groups' preference for the administrative branch of government and their shying away from political parties seem awkward, at best. One explanation of this apparent paradox may lie in the widespread decline of party influence (Lawson and Merkle 1988). Perhaps the interest groups merely have a more up-to-date power map of Israeli society than do political scientists. By this token there seems to be no flaw in the logic of interest groups' behaviour since the most important matters pertaining to their advocacies are handled by the administrative branch of government.

The division of power between the state's bureaucracy and its political leadership may be attributed to the duality of the Israeli polity. The country was established by individuals organized within political parties in order to fulfill a mission and implement an ideology. As suggested by Huntington (1968), political parties with a high mobilization capacity, strict internal discipline, and a high degree of cohesion proved to be effective in carrying the task of nation building. With the

passage of time, however, a division of labour has gradually emerged between the parties whose main function is securing legitimacy to aspiring or incumbent elites, and the administration, whose main function lies in the instrumental aspects of the political process. Political parties still hold the key to power but not the type of power sought by interest groups which increasingly attempt to insulate themselves more from party politics.

The study of the administrative elite is also instructive, revealing a gap between widely spread scholarly and public perceptions and practices. Israel still lives in the past, although in reality it has taken a great leap forward. It still clings to the electoral system adopted in 1921, some thirty years before the establishment of the state; its current political parties mirror with almost photographic accuracy the parties then competing for power. Within this stability, however, remarkable – one would say dramatic – changes have taken place in the country's economy, demography, and external relations. The gap between the administrators' denouncement of 'selfish' interests and their inclination to intensify contacts with interest groups may be one manifestation of this duality. The hybrid nature of the Israeli polity aggravated the tension between state and society. The clear absence of 'bureaucratic accommodation' identified as a major characteristic of British policy-making (Jordan and Richardson 1987b) prevented cooperation on a broad scale between administrators and interest groups. To be sure, deals are struck and agreements are forged, but the spirit of communality, described as a fundamental attribute of Israeli society, is missing.

As to general interest group theory, the findings of the study of associational politics in Israel call for some refinement of prevailing generalizations. First, the universality of associational gravitation toward the administration appears to hold true even in a party-democracy. The immutable role played by parties in political life does not automatically make them preferable targets for group influence. In his comparative study of interest groups in the US and the UK, Beer (1958) has suggested that the choices made by interest groups may serve as a yardstick for assessing the power distribution in society. This appears to hold true only if 'power' is coterminous with the ability to respond to specific demands. Secondly, the role of interest groups in the policy-process may be indispensable from a practical perspective. Their importance, however, need not necessarily be reflected in the attitudes held by senior state officials. These may be shaped not only by the daily needs of the bureaucratic functions but also by mores and values moulded by the country's political culture.

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NOTES AND COMMUNICATIONS

PRIVATIZATION UNDER MRS. THATCHER: AN EXTENSION TO THE DEBATE

MIKE WRIGHT AND TREVOR BUCK

I INTRODUCTION

In a recent article reviewing the 'state of the art' of privatization in Britain, Marsh (1991) makes a number of telling criticisms of government policy. In this article we review and appraise the literature on the subject omitted by Marsh in order to contribute further to an understanding of UK privatization. Moreover, since as Marsh notes (p. 459), UK experience is often viewed as a blueprint for other countries, such an extension of the debate may also have benefits elsewhere particularly as we consider forms of privatization other than flotation of natural monopolies.

An overall framework for the analysis of the efficacy of privatization needs to take account of both the ownership form of the sale and the organizational structure which is used. Ownership form concerns the question of whether sale is by means of a stock market flotation, sale as a management or employee buy-out (ownership closely held in a group of managers or employees, and probably the most common form of privatization in the UK, Thompson, Wright and Robbie 1990) or sale to a third party. Organizational structure concerns whether a state enterprise is sold as a single entity, broken-up horizontally or vertically into its constituent parts, or sold as a 'core' entity after less strategic divisions have been divested. In this article we address the effects of privatization on employee share ownership, efficiency and competition effects of the break-up of state industries, and the implications for revenues of the different types of privatization.

II OWNERSHIP FORM

Privatization by a straightforward share flotation ought to reduce the agency costs of control inherent in public ownership and improve efficiency, although because of the well-known problems associated with a divorce between ownership and control this may not occur. In addition, as Marsh has observed, flotations involve a widening, but not a deepening, of share ownership.

Buy-outs may deal with some of these problems since debt and quasi-debt instruments are used to produce a concentration of equity in the hands of management and their financial supporters. Efficiency benefits ought to accrue from the introduction of equity-based incentives for managers, the bonding effect of managers being required to meet tight financing targets, and the close monitoring by outside financiers (Jensen 1986). Privatization through management or employee buy-outs achieves both a widening and a deepening of employee share ownership which in turn may provide a greater degree of horizontal monitoring to supplement managements' increased incentive to engage in vertical monitoring (Wright, Thompson and Robbie 1989). As with stock market flotations, buy-outs have also given rise to a number of important issues.

The limited evidence available from privatization buy-outs in the UK (for example, Bradley and Nejad 1989) is in line with that from studies of buy-outs generally in showing efficiency improvements, at least in the short term (Wright et al. 1991). In the National Bus case, significant improvements in cost efficiency appear to have been achieved (see for example Mulley and Wright 1986; Heseltine and Silcock 1990) although there is some concern about the possible adverse effects on fleet investment. Case study evidence suggests short-term improvements arise where such buy-outs are released from the constraints of public ownership to compete more effectively in what are already competitive markets, but that failure to diversify adequately has caused longer-term problems (Wright et al. 1991). A criticism of privatization buy-outs has concerned the problems of redundancy, deterioration in employment conditions and weakening of trade unions (see for example Labour Research, 'Buy-out or Sell-out', Dec. 1990). However, these problems may be less severe than might be involved in sale to a third party and indeed maintenance of the status quo may not in any case have been a viable option (Wright et al. 1990). Moreover, in employee buy-outs, apparent deteriorations in salary and pension conditions may be offset by the potential gains from equity ownership.

Where trading relationships are to continue with the former parent of a divested subsidiary, greater performance improvements may be expected from buy-outs. Sale to an existing firm may be a problem as it may recreate adverse competition effects without more than offsetting economies of scale and scope. A buy-out in such circumstances may reduce control costs and the greater ownership incentive given to managers together with the threat of losing contracts to competitors may improve performance. However, privatization in this way may not be appropriate in all circumstances. Certain sectors may be more attractive as candidates for management and/or employee buy-outs, especially where the performance of the firm depends heavily on their specific non-routine skills which can be best rewarded by the incentive arrangements contained in a buy-out (for example buses, freight,

computer systems, specialist local authority services, etc.). In addition, the control mechanism exerted through continued trading may be increased where the buy-out is more heavily dependent on its former parent than vice versa. However, there are dangers that in attempting to diversify and reduce its dependence, or because of shortcomings in monitoring, the buy-out does not perform to a satisfactory level in its trading with the former parent. Particular problems may arise, and indeed appear to have arisen, in buy-outs of local authority services which are heavily dependent on a small number of short-term contracts (Paddon 1991).

Wider employee share ownership has become a typical feature of privatization buy-outs and introduces the possibility that they may be more acceptable to employees and trade unions than other forms of privatization. Indeed, Unity Trust, the trade union sponsored bank has been closely involved in a number of privatization buy-outs. However, it is unusual for there to be an even distribution of ownership across managerial and non-managerial employees. This observation raises the issues of the distribution of subsequent gains and the control of the enterprise.

Control issues have focused on the notion that employee buy-outs are a new and permanent form of ownership and that concentration of ownership in the hands of management may mean that the interests of employees are not fully considered. For this reason there have recently been instances of trade unions leading buy-out attempts and seeking to exercise control over the longer-term structure of the enterprise. However, there are clear dangers that such an approach may have an adverse effect on efficiency (Wright et al. 1990). Buy-outs may be transitory as, in dynamic and competitive markets, firms may need to pass to other stages in their life-cycle. This may be to permit the trading of shares by incumbents (Ben-Ner 1988), to allow for the raising of further funds, and/or to gain the necessary critical mass and degree of diversification to survive. If a flotation becomes inevitable, the interests of incumbents may be protected by the creation of instruments which give employee shareholders special voting rights in the event of a hostile takeover bid, as in the case of National Freight. The extent of debt financing which accompanies buy-outs may also be a problem and the need to service such financing has raised criticisms that capital investment is being sacrificed to short-term gains. However, it is clear that many buy-outs' growth opportunities were constrained by the cash problems of their state enterprise parents and that buy-out financing techniques which allow for investment and privatization with an industrial partner are devices which can be used to deal with the problem. More generally, such joint bids may be a means of dealing with criticisms concerning the longer-term viability of privatized activities and the adverse consequences of buy-outs involving managers with little commercial expertise.

III   COMPETITION AND EFFICIENCY

Following considerable earlier criticsm, the later stages of the UK privatization programme have been more expressly concerned with creating competitive product market conditions through enforced vertical or horizontal separation on privatization. However, there may be significant problems in establishing and maintaining competitive conditions. Although NBC was broken up on privatization, incumbent firms are still dominant having seen off most new entrants and the maintenance

of competitive market conditions has proved particularly difficult. Despite containing superficial characteristics of contestability (Baumol, Panzar and Willig 1982), local bus markets are only imperfectly so. Incumbents can thwart actual and potential entry through having the financial strength to survive prolonged price wars, the reputation effect from successfully fighting off earlier entrants, and the difficulty of 'hit and run' entry given the delay in obtaining a route licence. Competition policy has been a problem with only four OFT investigations of predatory behaviour having been initiated (Elliot 1991) and recommendations to forceably divest offending acquisitions have been frustrated by legal uncertainties about the applicability of merger policy criteria to local bus markets (Wright *et al*. 1991). The Committee of Public Accounts (1991) has also commented that the Department of Transport, whilst having taken measures to promote competition at the time of the sale, did not subsequently regard themselves as responsible for judging the adequacy of competition but rather left it to competition policy.

IV   REVENUES, UNDERVALUATION AND THE PRIVATIZATION PROCESS

Critics of the privatization process have drawn attention to the problems of under-valuation. One response is to consider the extent to which devices have been introduced to deal with this issue and to analyse their efficacy. Invaluable insights are provided by the now considerable body of work by the National Audit Office and the Committee of Public Accounts (see Valentiny *et al*. 1991 for detailed review and references). The NAO investigations of the flotations of British Gas, British Airways, BAA and British Steel cast doubt on the efficacy of bonus shares and other marketing devices in maximizing sale proceeds. A major and consistent theme also to emerge from NAO reports is that in respect of other forms of sale, clawback mechanisms could have been used much more extensively than was actually the case (for example, the investigations of the sale of Rover Group to British Aerospace, sales of New Town Assets, Herstmonceux Castle, Royal Ordnance Factories and National Bus). As a further indicator of underpricing, there is evidence that privatization buy-outs 'exit' at a greater rate than buy-outs generally and at premiums considerably in excess of the buy-out price (Thompson, Wright and Robbie 1990). Attempts to reduce potential underpricing in privatization buy-outs have also been addressed through delayed payments contingent upon performance, vendor retention of an equity stake, and attempts to introduce competitive bidding. In respect of privatization of work in new towns the NAO has argued that there should have been closer monitoring of buy-out proposals, particularly in respect of encouraging competitive bids. To deal with the conflicts of interest and consequent underpricing which might arise, the Audit Commission (1990) and the NAO with CMBOR (Centre for Management Buy-out Research, University of Nottingham 1991), have established ground rules for central and local government authorities. These rules are not without problems. For example, outsiders are unlikely to bid if they perceive little possibility of winning the contract. The CPA has also noted that the Treasury should in future do more to ensure that experience gained and lessons learned from past privatizations are passed on to departments.

V   CONCLUSIONS

This article has shown that buy-outs and sales to third parties increase the scope of UK privatization and enable employee share ownership to be deepened whilst at the same time incorporating features which may enable efficiency improvements to be obtained. Buy-outs may be especially susceptible to life-cycle problems and devices may need to be incorporated which mitigate the apparent large gains to employees, especially managers, which may frequently occur. Whilst mechanisms may be introduced to reduce the problems of underpricing they appear to have been used imperfectly. It is also necessary to distinguish between the correctness of a particular privatization approach in principle and the efficacy with which the relevant ministries have conducted the process. Such problems may be particularly relevant in privatizations in some lesser developed countries and in Central and Eastern Europe (Wright and Buck 1992; Filatotchev, Buck and Wright 1992). The problem with all these mechanisms is that if management perceive that possible gains are being eliminated they too may be unwilling to bid and potential efficiency gains may be lost.

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REVIEWS

THE CONSTITUTION OF THE UNITED KINGDOM

Institute for Public Policy Research
IPPR, 1991. 128pp. £20.00 (paper)

The Liberal Democrats published a draft constitution for the United Kingdom in 1990. Now we have a second version, published by the Institute for Public Policy Research. It is the work of some twenty people, who devoted some of their time for 18 months in order to complete the project. The result is a very detailed constitution which runs to 12 chapters of 129 articles and six schedules. A commentary accompanies and explains the text. The constitution would replace the supremacy of Parliament as the ultimate source of governmental authority. A Bill of Rights is incorporated in the text, which is based on the European Convention and on the United Nations Covenant on Civil and Political Rights. The Queen would remain as Head of State, but all prerogative powers would be subjected to parliamentary control, with, for example, the Prime Minister being directly elected by the House of Commons. That House would be elected for a fixed four-year term, and an elected second chamber would replace the House of Lords: both Houses would be elected by proportional representation. Scotland, Wales, Northern Ireland, and the regions of England would have elected regional assemblies. A number of independent bodies would be established to protect human rights, to oversee elections, to make judicial and other public appointments, and to guarantee the quality of public administration and the integrity of the constitution.

Given that the Conservative and Labour Parties have set their faces against the nostrum of a written constitution, and given that the Liberal Democrats have already armed themselves with their version of what such a constitution should contain, was the time and effort which was devoted by the IPPR to this task well directed? The document states that nobody involved in writing it agrees with everything in it, and so there is not even agreement among the authors. The Institute says that its purpose is to provoke debate, and to further public argument more effectively by giving everyone an example of what a written constitution might look like. This, it says, should move the debate on to more concrete matters and away from general discussion. Those are laudable aims, and the Institute is to be warmly commended for its work. The debate has already been joined at, for example, the Constitutional Convention which was held in Manchester late in 1991. But the Director of IPPR was succumbing to hyperbole when he said, on publication of the draft, that 'the question is not whether there should be a written constitution but what it should contain'. The political consensus on the 'whether' question is still that there should not be any such thing. Constitutional reform is still likely to come about not through a big bang which establishes a written constitution, but by piecemeal legislative and administrative action. There is likely to be more change under a Labour government than under a Conservative one: we are promised a clutch of constitutional changes by the Labour party, of which a Scottish Parliament has been singled out as the priority. IPPR has presented a vision of what we might have one fine day; the two big parties remain on

a step-by-step course (but with hardly any steps at all being taken by the Conservatives).

Debate on the possible future structure of the United Kingdom constitution will be better informed by this document. That debate might be enhanced by an official and comprehensive examination of the whole constitution. One aim of such a review could be to build consensus for particular changes, and in order to work towards such a consensus all the main political parties would have to be represented on it. Until that happens, we will be left with suggestions from different parts of the political spectrum, and governments which adapt the constitution as they go along.

Rodney Brazier
University of Manchester

PUBLIC LAW AND DEMOCRACY IN THE UNITED KINGDOM AND THE UNITED STATES OF AMERICA

P. P. Craig
Clarendon Press, 1990. 440pp. £45.00

This weighty book is concerned with the interconnections, and the disjunctions, between democratic theory and the theory and practice of public law in Britain and the United States. Its principal thesis is that 'the nature and content of constitutional and administration law can only be properly understood against the background political theory which a society actually espouses, or against such a background which a particular commentator believes that a society ought to espouse.'

What the author is principally concerned about is the recurrent failure of constitutional commentators who have made normative propositions about the objects and limitations of public law in democratic societies to sort out and explicate their underlying theoretical assumptions: 'differing conceptions of both constitutional and administrative law reveal themselves to be reflections of deeper controversies concerning differing conceptions of the democratic society in which we live.' In Craig's judgment, such controversies are too often overlooked; crucial theoretical questions are too often begged; those concerned with dispute resolution tend, in adopting an interpretive position on constitutional rights, to employ a 'mix 'n match' approach whereby 'parts of one political theory are implicitly relied upon and combined with aspects of a different theory to reach the desired result in distinctive cases.'

The author pursues this theme by examining, critically and with awesome thoroughness, a huge body of literature on constitutional law and political theory, taking the reader on trips from one side of the Atlantic to the other, and drawing comparisons between two countries with different constitutional arrangements and with significantly different approaches to democratic theory. He begins with fifty pages or so exposing the logical and empirical shortcomings of Dicey's propositions about the 'self-correcting' character of majoritarian democracy adduced in support of his view that civil liberties in Britain are better protected by the ordinary common law than by any written constitution.

A chapter on pluralist traditions in American political and constitutional thought looks at the ideas of Madison (arguably more republican than pluralist), Bentley, Truman, Dahl and modern public choice theorists, and then at their critics such as Bachrach, Bottomore, Pateman and Lowi. This sets the scene for a further, lengthy, chapter which examines how competing versions of pluralist thinking have different implications for public law. This includes a substantial critique of John Hart Ely's 'participation-oriented, representation-reinforcing' approach to constitutional review by the courts, which accepts the need for such review to correct acknowledged imbalances that exist in pluralist society, but argues that it should be confined to 'process' issues. The author supports those critics who have argued that it is impossible in practice to disentangle 'process' from substantive judgments

about rights. He then goes on to consider the implications of a transition from classical pluralism to elite pluralism for contemporary notions about the scope of administrative law.

The first of two chapters on pluralism in the UK (contrasting with Dicey's notions about the unitary character of the state), identifies two strands of pluralist thought, a traditional view, stressing group power and decentralization, and more recent, market-centred interpretations. The author examines, *inter alia*, the writings of Maitland, Laski, Sir Ernest Barker, the Fabians; the challenges to pluralism posed by corporatist theory (here we find S. E. Finer juxtaposed rather incongruously with Keith Middlemas); and the challenges posed both to traditional pluralism and to corporatism by Thatcherite and new right thinking. The author then turns (as with the corresponding United States chapters) to examine the different constitutional and administrative law consequences that flow from these different pluralist conceptions of democracy. The next chapter – for this reviewer, the most interesting in the book – examines the democratic implications of constitutional reform in the UK, with reference to the Bill of Rights debate, the European Community and sub-national devolution.

The next two chapters deal with Liberalism: the author delivers an admirably lucid account of Rawls' principles of justice, and examines their implications for constitutional and administrative law; and then provides a critique both of Liberalism, and of Rawls' critics, such as MacIntyre. The book ends with two long chapters on republicanism and on participatory democracy.

The author's contention that, in an ideal world, those who would engage in serious discourse about public law must first rigorously sort out their theoretical positions is well taken. This scholarly book is an excellent place for such people to start. It is an important bridge between public law and political science, which will be read with profit in both camps. The range covered and the skilful compression of complex argument are particularly impressive features of the book. However, these admirable characteristics, combined with the author's uncompromising analytical rigour, are certainly not recipes for easy reading!

Gavin Drewry
Royal Holloway and Bedford New College, University of London

THE PUBLIC SECTOR: CHALLENGE FOR CO-ORDINATION AND LEARNING
Franz-Xaver Kaufmann (ed.)
de Gruyter, 1991. 553pp. $39.95

In 1981/82 a group of 25 distinguished social scientists met for a year at the Centre for Interdisciplinary Research at the University of Bielefeld. At the end of 1985 they produced a massive volume entitled *Guidance, Control and Evaluation in the Public Sector* which seemed to be of sufficient importance to warrant an extended review in *Public Administration* ('blockbuster from Bielefeld', Vol. 65, No. 1, Spring 1987 pp. 105–107). After acknowledging the richness of that volume I ended my 1987 review by pointing out that there was a case for 'both a cheap student-oriented summary...and a short executive digest...for senior public officials'.

It is flattering that the editor of this new volume should refer to the 1987 review in his first paragraph, where he explains that *The Public Sector: Challenge for Co-ordination and Learning* is, precisely a 'shortened and revised version' of the earlier blockbuster. How can we assess the changes between the first book and this, its descendant?

If we choose to regard the new volume as the product of a slimming programme then the card must be marked 'can do better'. Thirty-seven chapters have come down to 25; 830 pages have been reduced to 553. The price has come down from one which few lecturers could afford to one which some students will be able to afford, so long as they are

prepared to make this their main or sole purchase of the semester. It is still a long, and fairly expensive book.

If, however, we turn from the dimensions to content, then a somewhat more encouraging judgement may be possible. All but three of the chapters have been revised, eight of them very substantially. Two quite new chapters have been added, the most important one being an extended critique of the entire Bielefeld enterprise by none other than the current editor of *Public Administration*. In his useful and challenging analysis Rod Rhodes reaffirms and extends some of the points made in our review of the original volume. Like its predecessor, the new book does not exhibit a coherent theoretical focus. The problems of *political* accountability still receive inadequate attention. The book portrays a world of policy making in which substantive social conflicts are usually either off stage or dressed in the kind of technical vocabulary which somehow neuters them.

These are major flaws. But they need to be seen in the context of the scope of the Bielefeld project. It was, by the standards of the European social sciences, a most ambitious enterprise. It has led to a volume which looks right across the public sector and which offers a series of tremendously well-informed overviews and re-evaluations of our collective experience in trying to apply social science theories and concepts to the complex and volatile business of governance. Re-reading the revised material four years on reminded this reviewer how rare this kind of Olympian view has become in British public administration. I hope some graduate students, at least, will be able to afford it. The 'executive digest' which I suggested in my 1989 review is not, however, mentioned in the present volume. Perhaps such summaries do exist, filed away in the offices of central ministries and policy analysis units scattered across Western Europe and North America. If so, they must make intriguing reading. What does Bielefeld boil down to on two sides of A4?

Christopher Pollitt
Brunel University

WHAT NEXT?: AGENCIES, DEPARTMENTS AND THE CIVIL SERVICE

Anne Davies and John Willman
Institute of Public Policy Research (IPPR), 1991. 98pp. £10.00 (paper)

As the Next Steps initiative gathers momentum and the number of agencies increases so does the literature seeking to analyse and assess the strengths and weaknesses of this fundamental change that is driving the civil service towards a federal and fragmented structure. This report (*circa* 30,000 words), emerging from the Institute for Public Policy Research, offers what is essentially a Fabian commentary on the Next Steps programme. The authors are committed to what they see as good government: to quality public services, freedom of information and accountability and a committed and motivated public sector work force. They assess the developments and possible future of Next Steps against this framework. The report is strong on both conclusions (17) and recommendations for future action (29).

Drawing on a wealth of recent literature concerning Next Steps, the paper begins with a brief historical background to recent management reforms and charts in greater detail the course of events from 1979 leading up to the publication of the Ibbs report and the implementation of the Next Steps programme. The second section sets out the main issues involved in the development of agencies. This is followed by a longer discussion of problems seen to arise from the initiative, particularly the agency-departmental relationship, agencies and parliamentary accountability, financial controls and the Treasury, the management of change in Whitehall and the future of the career civil service. A brief defence of the idea of public service leads into the conclusions.

The authors are clear on what they like and dislike. They are for the essential concepts of Next Steps, greater managerial freedom and increased accountability of public services. They are also for good human resources management and for the spirit of Whitleyism (consultation and joint-decision making) although the latter is seen to need adjustment in the new climate. They are against detailed central controls on agency functions especially via HM Treasury and departments and back-door threats of privatization.

Dilemmas in the Next Steps programme are identified and discussed, especially those between agency independence and accountability, and policy and management. The input focus of the programme and the neglect of public sector effectiveness is also noted, as is the potential dilemma between individual interests and the public interest as agencies pursue the elusive concept of the 'consumer'. The authors' solution lies in placing the initiative on a firm legislative footing that would define the rights of Parliament, the public and the agencies themselves vis-à-vis the departments. They also call for the establishment of an Office for Executive Agencies at the centre of Whitehall to oversee developments and champion common causes.

The paper is generally crisply written and comprehensive. Its faults lie in accepting some of the literature it discusses (both for and against the agency concept) uncritically and in making sweeping assessments of areas it has little time to consider in any depth (e.g. privatization and consumerism in the public sector). It would also benefit from more care in referencing and conclusions that came *before* rather than *after* the appendices and bibliography. This said, it offers a detailed and distinctive view of recent events and, as such, makes a useful contribution to the Next Steps debate.

Bill Jenkins
University of Kent

BRITISH GOVERNMENT: THE CENTRAL EXECUTIVE TERRITORY

Peter Madgwick
Hemel Hempstead: Philip Allan, 1991. 276pp. £9.95

Peter Madgwick's book aims to give an account of the 'Central Executive Territory' or 'the collection of politicians, administrators, groups, offices and units at the centre of the executive of British government'. It is part of the estimable 'Contemporary Political Studies' series which has already produced helpful introductions on both British elections and pressure groups.

The scene is set with a description of the environment and structure of the British executive (chs. 2 and 3) before examining the membership, workings and committees of Cabinet (chs. 4–6). The spotlight then falls on the Cabinet Office and the Prime Minister's Office. This phrase covers the Private Office, the Prime Minister's Policy Unit, the Press Office, the Political Office, special advisers, the kitchen Cabinet and other sources of advice (chs. 7 and 8). The prime minister, conventionally the star of the show, occupies centre stage for the next four chapters as Madgwick describes the office and its relationships with the Cabinet, the party, Parliament, and people (chs. 9–11). No show would be complete without the stars taking a bow and so the book provides short accounts of the premierships of Harold Wilson and Margaret Thatcher (ch. 12). The last act provides some case notes on the central executive 'in action' (ch. 13) and, before the final curtain falls, we are given a resumé of the 'factors in prime ministerial force' (ch. 14) and a broad assessment of the central executive's performance (ch. 15). The overarching objective is 'to stimulate vigorous and careful thinking'. Parenthetically, Madgwick's preferred analogies are meteorological rather than theatrical but they are no less irritating.

Turning from style to substance, Madgwick's book fails to achieve its analytical objective

because it has three defects. It is theoretically naive. Its methods are inadequate. It does not use data in a systematic way to support the conclusions.

Despite the claim that the book does 'not argue a thesis' nor 'preach the verities' (p. vii), it does so, but with little or no critical self-awareness. Thus, Madgwick explicitly asserts that British government suffers from 'overload', 'ungovernability', 'directionless consensus', 'lack of strategy', 'metropolitan dominance', 'secrecy', 'adversarial politics' and 'the corruption of power' (pp. 262–3). Whatever else these assertions may be, they are theses about the defects of British government which should be supported. Implicitly, Madgwick's perspective is that of an institutional pluralism; for example, he uses the phrase 'central executive territory' to draw attention to the plurality of institutions which make up the British executive. Most important, his description always takes institutions as the starting-point. He never focuses on policy, although there are many, unsubstantiated asides (pp. 156, 169, 205, and 257). It would have been more revealing to adopt a multi-theoretic approach and compare the insights produced by both the institutional and policy approaches.

Madgwick's discussion of the 'central executive territory' highlights the need for careful, critical attention to theoretical assumptions. Initially, he defines it solely in institutional terms (p. 5) with the caution that it is not a 'system' but an 'arena'. Initially, he excludes the higher civil service and the Treasury, describing them separately (pp. 25–30), but, later, he includes them as part of the central executive territory (pp. 30, 92 and 242). An institutional definition leads to such inconsistencies whereas a focus on, for example, the conflict resolution function of the executive necessarily allows for variable membership. In addition, there is no discussion of the range of existing theoretical approaches. The extent of this theoretical naivety reaches awesome proportions by chapters 14 and 15.

On methods, the major problem is that Madgwick does not follow his own advice. He identifies the available sources of information (pp. 1–2). He discusses the problems of interpretation (pp. 3–5). He then relies excessively on ministerial memoirs with no attempt at 'triangulation', or use of mutually reinforcing research techniques (and sources of data). The method is that of the 'inside dopester' with no visible checks on the unreliable and self-serving memoirs.

Finally, the evidence used to support the various arguments is inadequate. For example, the 'case studies' of Margaret Thatcher's premiership (pp. 195–214) cannot be dignified with that label. They barely qualify as anecdotes. They are excessively brief. Madgwick not only fails to cite important sources of information but he is unaware of current research on, for example, public expenditure. Equivalent faults pervade Part 5 in its entirety.

I agree there is a 'need for a new understanding of government at the centre'. This book fails to provide it.

R. A. W. Rhodes
University of York

LEARNING FROM PRECEDENT IN WHITEHALL

Peter Nailor
Institute of Contemporary British History with RIPA, 1991. 53pp. £7.95

Peter Nailor advocates getting government departments to promote more historical writing which would be valuable to the desk officer and induce a better understanding of the past among officials. His project was based upon a questionnaire to which nineteen departments replied. Some of his informants provided interesting comments on the construction of 'collective memories'. Summaries in the Welsh Office, for instance, were regarded as 'imperfectly discharging a duty to posterity' rather than providing guidance for the future (p. 26). He found a widespread belief that 'by hunting around (one gets) a reasonable

understanding' (p. 28). But there seems to be agreement that 'some sort of digestible compound' (p. 34) which was neither too inappropriate nor too academic would help policy makers. The raw material of the records is too complex to be immediately intelligible to serving officers; they need personnel to mediate the evidence – people comparable to military intelligence analysts.

The key to any change of approach in using history is that participation in such mediation should be 'a good career mark' (p. 38). There is the rub. Successful academics promote theory or special methods which are not tied to policy discussions. Successful civil servants avoid being tarred with the historical brush. Reputations follow apparent originality. The first case studies prepared for the Civil Service College were limited by the wishes of departments to admit no evidence of failure. Peter Nailor hopes that a better use of seminars, of internships, and of temporary assistants learning the 'craft skills of applied scholarship' may encourage the use of historical 'intelligence'. He notes more than once the paradox that security questions seem easier to handle than those of health, welfare or education.

This short report was commissioned by the Institute of Contemporary British History. The latter has now assumed the role previously played in the 1970s by such bodies as the SSRC Social Science and Government Committee and the Association of Contemporary Historians. It may need to develop a 'collective memory' of the dialogue in this field. This report, for example, lacks any reference to Sir Norman Brook's circular of 1957 on 'funding experience' or the Wilson Committee on Modern Public Records (Cmnd. 8204, 1981). Some of the most interesting aspects of this report are the author's reflections on the turbulence of modern policy-making which reduces any inclination to look for antecedent or precedent. Will there be a follow-up? Have we recovered from 'instant government'? Are civil servants now 'tailoring their advice to their ministerial audience' (p. 46)?

J. M. Lee
University of Bristol

A HARD POUNDING: POLITICS AND ECONOMIC CRISIS 1974–76

Edmund Dell
Oxford University Press, 1991. 306pp. £20.00

Edmund Dell, who was Paymaster General from 1974 to 1976 and Secretary of State for Trade from 1976 to 1978, has written a closely argued, meticulously detailed, well-referenced and eminently perceptive political memoir focusing on the years when he was Paymaster General. It is an unusual memoir, however, with hardly any details about the personal life of its author, and no pictures (except one on the inside of the dust jacket).

Much has already been written and published about this period by other leading politicians, including Harold Wilson, James Callaghan, Tony Benn, Barbara Castle, Denis Healey and Joel Barnett, and by leading officials including Leo Pliatzky, Bernard Donoughue and Joe Haines. Dell's memoir benefits from publication after the others for two reasons: first, he is able to compare and answer points raised elsewhere; and, secondly, he avoids much of the personal animosity of the others because he writes at a time more distant from the events. Indeed, the book reads more like an authoritative case study by a historian – and therefore benefits from Dell's experience, in the late 1940s, as a Lecturer in Modern History at The Queen's College, Oxford.

A short review cannot do justice to the quality or the detail the book contains, and it would be difficult and unfair to analyse small parts taken out of context. Most senior Labour politicians are criticized in the book from time to time; sometimes their behaviour and judgments are analysed with perception and shrewdness; at other times they receive generous praise. It is not surprising that Dell justifies his own positions and judgements;

but unlike certain other memoirs, the book does not read like an exercise in self-justification. Moreover, Dell certainly does not emerge as the political innocent that, he says, other politicians·thought him to be (or, if innocent, his was by no means the innocence of naivete). After reading the book, this reviewer felt a desire to know more about its author, and a hope that he will write more.

Apart from details of personalities and the roles they played in the 1974–76 economic crisis, the book contains other valuable material. Much of this is derived from the diaries that Dell kept at the time and which are a valuable supplement to the factual details he presents, the writings of others, and Dell's analysis of the generally available information. For example, he provides fascinating accounts, with what appear to be abundantly fair comments and analysis, of the way the Treasury actually worked and how it related to other institutions both in the United Kingdom and internationally.

What are his general reflections from his valuable personal experience at the centre of government during a period when, as he says, the Labour government came into office with more intellectual and political incoherence than any other government in this century in the United Kingdom? Dell presses the arguments for an independent central bank, sees the virtues of electoral reform to better reflect the inclinations of the electorate, and would like to see economic advice to government given and accepted within a reformed context. His comments in this regard give an indication of the flavour of the book.

> The principal characteristic of the economic advice offered to Ministers was its insularity ...Economics, as a science, is still in a state of innocence. The only evidence that it *is* a science is that economists are frequently as rude about their colleagues as scientists are about those who claim priority in their discoveries.

Richard A. Chapman
University of Durham

PARLIAMENT AND INTERNATIONAL RELATIONS

Charles Carstairs and Richard Ware (eds.)
Open University Press, 1990. 186pp. £9.95 (paper)

Like other products of the Study of Parliament Group, this is an informative and thorough survey: the outcome of a working group to examine the way both Houses of the British Parliament handle foreign policy issues and the amount of time they devote to such issues. There is a great deal of useful material in this volume which will guarantee its value as a work of reference for many years; as the editors point out, the last detailed study was Peter Richards' *Parliament and Foreign Affairs* in 1967.

The message which emerges is that there is a wide gap between the rhetoric of Parliamentary Sovereignty as a principle to be defended in Britain's relations with other states and the reality of a Parliament which has little impact on foreign affairs. The British Parliament has fewer formal powers of oversight of foreign relations, treaties, arms control or the threat or use of force than almost any comparable national legislature among the industrialized democracies. Prerogative powers still protect the British executive from parliamentary scrutiny of foreign policy – reinforced by 'an inhibition on the part of Parliament itself' from intervening too actively in the field (p. 3). The retrospective investigations earlier Parliaments conducted into the Crimean War, the Jameson Raid and the Dardanelles campaign were not repeated after Suez or the 1986 US utilization of British bases for an air attack on Libya; after the Falklands a Privy Councillors' Enquiry was preferred.

Chapter 2 examines the amount of time the Commons devotes to foreign policy issues, and the different forms under which they are debated. It notes widespread unease with the

unfocused nature of foreign affairs debates, going back many years; it underlines the concentration on post-imperial issues, Hong Kong, Gibraltar, South Africa, and the inadequate treatment of European Community matters. Chapter 3 explores 'behind the scenes': the informal activities of MPs, the role of the 'All-Party Groups', the rising involvement of foreign governments and professional lobbies. It reminds us of the Heritage Foundation campaign to get Britain out of UNESCO, and the visits to Sun City offered by the British-Bophuthatswana Parliamentary Group. On the role of the House of Lords, chapter 4 contrasts the weight of expertise available and the high quality of the work of its European Communities Committee with the absence of any evidence of impact on policy. The House appears to be so peripheral as far as Government is concerned that at least in its deliberative role it can easily be forgotten about altogether. And in its legislative role it has very little to do with foreign affairs' (p. 91).

There follow case studies of parliamentary coverage of Gibraltar, the Libyan Raid, the INF Treaty, and relations with Chile under Pinochet: which contrast the inability of the Commons to exert a positive influence over government decisions with the ability of small parliamentary lobbies to inhibit government initiatives (on the Falklands before 1982 as much as on Gibraltar). 'At no point between 1979 and 1987 was the INF issue examined by either the Foreign Affairs Committee or the Defence Committee. . . throughout the entire episode the House of Commons lacked detailed information on the negotiations' (pp. 123–4). A further chapter on European Political Cooperation observes that the British Parliament has failed to come to grips with the implications of inter-governmental cooperation on foreign policy, and that the only mechanisms for ensuring a degree of debate and accountability are those developed by the European Parliament.

The conclusions offer some modest proposals for improvement, in particular to expand the size and status of the Foreign Affairs Committee – the ineffectiveness of which shines out from chapter after chapter. Debates on specific aspects of foreign policy rather than unstructured tours d'horizon are recommended – as they were by Peter Richards 25 years before. More effective scrutiny of European cooperation in foreign and security policy than that provided by retrospective debates on the six-monthly Developments in the European Community White Papers would improve Parliament's 'rather haphazard . awareness and scrutiny of EPC' (p. 175). But neither front bench will wish to introduce such improvements. Is there any hope that backbench champions of parliamentary sovereignty might turn their attention to demanding them?

William Wallace
St. Antony's College, Oxford

CITIZENS, CONSUMERS AND COUNCILS: LOCAL GOVERNMENT AND THE PUBLIC

John Gyford
Macmillan, 1991. 215pp. £35.00 (cloth), £9.99 (paper)

The rather hackneyed title and modest presentation of this book belies its considerable importance and usefulness. John Gyford goes well beyond the easy alliteration and the current fashion for looking at local authorities in terms of the services they offer to individual consumers, clients, constituents and citizens. He does do some of this, and manages to do it with a good deal more rigour and insight than many other commentators. However, the real value of his book is that it explores these current concepts critically, and sets them in the context of a longer-term historical understanding of the wider social and political roles of local government.   .

He begins with a careful analysis of the changing and more diverse publics which local

government now has to serve, and shows how the rather passive roles of ratepayer, client and voter, are being challenged by their more active variants – shareholder, consumer, and citizen. He goes on in chapter 2 to discuss the economic, social and political pressures for change which have helped to shape these new concepts and movements, and which have found support, for different reasons, from both the right and the left.

There are then three chapters which explore different dimensions of the challenge to local authorities to develop more active approaches to their publics:

— participation (the right to take part, through co-option onto committees; user participation in housing, education and social services; and public participation and popular planning);
— consultation (the right to be heard, through consultative forums; petitions and complaints procedures; and opinion polling);
— information and access (through decentralization, public relations and strategic and consumer marketing);

The next chapter draws some of his themes together conceptually through a discussion of Diversity, Pluralism and Choice. This includes the potential and limitations of the new mixed economy of welfare to generate not just a wider range of providers from the public, private, voluntary and informal community sectors, but also to extend real choice for all sections of the public.

The final chapter analyses the very different models of local government which follow from the three different roles of shareholder, consumer and citizen, and links these to three different characteristics (protective, instrumental and developmental), and three modes of provision (market based and privatized, individual consumer responsive, and democratic and collectivist).

The book includes a comprehensive bibliography which, in addition to listing a wide range of academic publications, also cites a number of key policy documents from local authorities. It is also particularly useful in drawing references not just from the literature of the 1980s but also from the earlier history of local government at key points this century.

The content of John Gyford's book makes it excellent value. Its presentation is slightly less attractive, being printed on roughish feeling paper (acceptable if this is recycled paper, but this is not stated). The text would also have benefited from more sub-headings to break up the page, and signpost the stages in his very clear line of argument.

The above synopsis cannot do justice to the rich texture of John Gyford's book. He is able to draw on his long experience as a local government councillor and officer as well as his research and wide reading to develop a style which combines clear summaries of the academic and policy literature with lively examples and case studies from local authority practice. The arguments may not in themselves be particularly original or path breaking, but he analyses each concept very clearly and concisely, and then draws them together into helpful frameworks and typologies.

A refreshing feature of the book is the many insights and illustrations which it reveals of the role of local government not just as the administrator of resources, services and contracts, but also as a facilitator and focal point for the political processes of participation and representation in order to articulate and meet local community needs. Gyford brings these perspectives alive in a way which reminds one how much they have been missing from many of the debates about local government which have dominated the last decade.

John Benington
University of Warwick

COUNCILLORS IN CRISIS: THE PUBLIC AND PRIVATE WORLDS OF LOCAL COUNCILLORS

Jacqueline Barron, Gerald Crawley and Tony Wood
Macmillan, 1991. 227pp. £35.00 (cloth), £9.99 (paper)

Not long before receiving this book for review, I heard a professional party agent complain that 'Councillors seem to live in a world of their own'. In fact, as Barron, Crawley and Wood suggest, it would be truer to say that councillors inhabit more than one world, each of whose demands can conflict. The book is based primarily on interviews carried out in the south-west of England between 1984 and 1988 with county councillors and their spouses or other partners and with women political and community activists and their partners. Of the 62 county councillors interviewed, 61 also estimated their workload by recalling the experience of the two weeks prior to the interview and 54 completed a diary for the week subsequent to the interview. The results shed light on how councillors cope with their role and also on how and why potential councillors – the activists – are attracted or repelled by the idea of standing for the council.

One question raised by the authors' methodology is whether past research has underestimated the amount of time devoted by councillors to their duties. Postal questionnaires relying on recall may fail to capture the full scale and range of duties recorded in a contemporary diary. In addition, they remind us that the pressures on councillors must be seen in more than quantitative terms, such as the number of meetings, the amount of paperwork or the length of time involved. There are also qualitative pressures in the form of conflicts, tensions and uncertainties arising from the need to accommodate the demands of council activities, work (whether within or outside the home) and social life.

In the latter context, the authors explore the public life of the councillor in relation to the private life of work, home, family and leisure. In particular, they examine the ways in which gender influences the structure and content of that private life and its interaction with public life. They identify those political styles that emerge as strategies for responding to the competing demands of the public and the private. There are those for whom being a councillor is, or in their own eyes should be, a job with clear boundaries and a predictable level of commitment and one which merits proper financial rewards. For others, it is a vocation, with their private and political lives interwoven: 'the council is their life' (p. 180). The third group is those for whom council work is a limited spare-time interest, a hobby. The choice of styles reflects the constraints of party, convention, legal requirements, family and work responsibilities and other people's expectations. Gender and party allegiance are seen as particularly significant here. Male Conservative backbenchers are typical 'hobbyists': women are more likely to approach council work as a vocation or a job, regardless of party.

I suspect that the distinction between a vocation and a job may not be wholly watertight: some people live for their job. Nonetheless, this is an illuminating piece of work.

John Gyford
University College, London

LOCAL GOVERNANCE AND NATIONAL POWER

Samuel Humes IV
Harvester/Wheatsheaf/IULA, 1991. 307pp. £40.00 (cloth)

LOCAL GOVERNMENT AND POLITICS IN BRITAIN

John Kingdom
Philip Allan, 1991. 282pp. £9.95 (paper)

The study of local government has been an exciting growth-area for the last decade. From being a dull topic dominated by concern with legal and institutional description, it has developed subtle analyses of interactions between a range of actors and policy communities, between politics and administration, between central and peripheral power, and between governmental activities and economic and social influences. Some of these studies have focused on single countries and some have had a comparative perspective, and they have generated a number of theories that stimulated lively debates.

These developments seem to have passed by the authors of the two disappointing books under review. Humes has the ambitious objective of a worldwide comparison of local government systems. He argues there are four prototypes that have spawned a number of variations. These systems are distinguished by the relationship between central and local government. The British is based on functional regulation; the French on dual supervision; the Soviet on dual subordination; and the German on general subsidiarization. These different relationships, argues Humes, shape the role and structure of local and regional governments, their internal arrangements, and the availability and allocation of resources.

His book has three parts: first, a description of the four models and their variations; second, thematic analyses of central-local relationships; local structure and leadership; and local resources and processes of resource mobilization; and a conclusion, which seeks ways to revitalize local government, against contemporary trends of increasing ministerial control, centralization, bureaucratization, specialization, and the fragmentation of local governance by functional hierarchies.

Anyone who liked the two earlier books of which Humes was co–author, *The Structure of Local Governments Throughout the World* (M. Nijhoff/IULA, 1961), and *The Structure of Local Government* (IULA, 1969), will like this one, since it is really a third edition, but one which might have been published in the early eighties rather the early nineties. It is useful to have collected in one volume the information about the various local government systems, especially their traditions, and to have the forcefully argued final chapter making the case for national and local leaders to work together to improve 'the generalist dynamics' of local government.

But the book disappoints because it is so focused on formal aspects and ignores the literature of the last decade. There is no awareness of the works of Bennett, Clark, Dente and Kjellberg, Dunleavy, Goldsmith, Gurr, King, Page, Pickvance and Preteceille, Rhodes, Saunders, Sharpe, Thoenig and Worms. The descriptions of some systems is not very recent; UK local government seems to be still responsible for health; the section on Germany ignores the book by Gunlicks of 1986, and in the quest to propose a distinctive German model it fails to emphasize the differences between the Länder. The proof-reading of the references leaves much to be desired. A RIPA publication of 1968 appears as written by 'Idersley, S. H. H. H. and R. Notlage'.

Kingdom's book looks like a general textbook about local government in Britain with a focus on the political dimension. It deals with the usual topics: the evolution of local government, its functions, the administrative context, structure and its reform, elections, parties and pressure groups, the roles of councillors and officers, finance and central-local relationships. However, it cannot be recommended to students. It is too allusive, conveying little of the hard information they need, and some of that is wrong. Wheatley proposed seven regions for Scotland not the nine that eventually emerged, and it is not true that anyone with a pecuniary interest has 'to leave any relevant meeting' after declaring the interest. 'Croyden' is misspelt and the PWLB appears as the Public Works Loans Board.

It is a polemical tract, asserting that class and capitalism explain everything about local government from its origins to its current position. The book is sloppily written; the phrase 'and so on' appears addictively (nine times in chapter 12 and three at p. 150); can a triangle have a top left quadrant? (pp. 140–1). Clichés abound, from tips of icebergs to bits of cherries, cloudy prospects, and wind being removed from sails and there are many passages of purple prose. The tone of this book can be captured in the following sentence (p. 146): 'Yet, while in the nether regions of the clerical grades the keyboards of the word processors

vibrate beneath feminine fingers, and while the splendid municipal offices are kept clean by vigorous female arms, the seats around the important meeting tables are warmed predominantly by male buttocks.'

Kingdom describes departments, like finance, personnel and estates, that serve other departments as 'parasitic' (p. 138). He attacks the 'continued hegemony of the lordly Whitehall generalists' for the deliberate exclusion of working-class people from councils, or, if they are elected, for obliging them 'to work with middle-class people on very high salaries (officers, civil servants, pressure group representatives and so on), placing them at a psychological disadvantage and reducing their authority' (pp. 135–6). Indeed, 'the local-central relationship becomes a spatial manifestation of the specialist-generalist relationship within Whitehall...' (p. 144).

It is far-fetched to describe the tendencies of Conservative governments since 1979, although damaging local government, as 'totalitarianism'. Although Kingdom dismisses moans about the diminishing calibre of councillors at page 127, at page 135 he calls for the payment of councillors to encourage the more able to come forward. He calls Herbert Morrison a 'political puritan' for wanting councillors to be held accountable to the voters rather than to militant party activists (p. 116).

Students wanting to know about the politics of local government should obtain Gerry Stoker, *The Politics of Local Government* (London: Macmillan, 2nd. ed., 1991). They should ignore Kingdom.

G. W. Jones
London School of Economics

PUBLIC SECTOR INDUSTRIAL RELATIONS

P. B. Beaumont
Routledge, 1992. 217pp. £40.00 (cloth), £14.99 (paper)

Professor Beaumont is probably the leading specialist on public sector industrial relations in the United Kingdom, and this book is a welcome addition to the literature. It is an informative and readable overview of recent changes in the attitudes and behaviour of public sector unions and of the policy initiatives that have been responsible for those changes. Furthermore, it analyses the effects and implications of these changes for public sector management in the United Kingdom.

The book is divided into eight clearly structured, well-argued and illuminating chapters. The first substantive chapter deals with the environment of public sector industrial relations, examining in particular the role of government, and especially the economic impact of government policies on industrial relations, especially on the labour market. The political environment is emphasized as the overarching factor in the various changes that have taken place in public sector industrial relations.

The role of unions is the subject of the second substantive chapter. Professor Beaumont examines trends in the membership of trade unions which have public sector interests and then analyses the changing character of the unions in the light of these trends and in the light of changes in other variables. This enables him to consider the bargaining power of the unions, and his conclusion is that changes in the organization of large parts of the public sector (through privatization, competitive tendering and new contracted arrangements) have affected that power.

This argument is developed in subsequent chapters, in particular the following chapter on the organization of management for industrial relations purposes. In this chapter emphasis is put on the 'industrial relations implications which follow from the political nature of government as an employer of labour' (p. 93). For example, is government a

'model' employer, or should it be? What implications does this have for union density? Or for the working conditions/pay of public sector workers? These and other questions are raised in this chapter in relation to the changing nature of the public sector.

The final three substantive chapters deal with bargaining procedures, particularly with collective bargaining. In these chapters Professor Beaumont considers in factual terms the coverage and structure of collective bargaining in the public sectors in the United Kingdom; the procedures for dealing with disputes; and the outcomes of bargaining. His main conclusion to this part of the book is that 'the 1980s has witnessed a strong government attack on traditional wage criteria, such as comparability, and a significant wage loss by many groups of public sector employees' (p. 171). It is against this background that the final chapter examines changes in public sector industrial relations. This chapter places changes in public sector industrial relations in the wider context of changing industrial relations generally and of the social and cultural changes that the Thatcher governments' policy initiatives in all areas were designed to achieve. It raises questions about the 'values shift' in public sector industrial relations; about the opportunities and costs of the Thatcher approach; and about future scenarios for public sector industrial relations. It is an informed and thought-provoking discussion.

There are two weaknesses to this otherwise splendid book. The first is that the breadth of the discussion means that some matters are dealt with only superficially: for example, no specific *parts* of the public sector are considered in sufficient detail to allow a full analysis of industrial relations in those parts. The second weakness concerns those passages in the book which deal with international comparisons, since the reader is not given enough information for those comparisons to be of more than crude value. Having made these points, however, it is fair to say that Professor Beaumont's book is an important and scholarly survey of recent changes in his specialist area of study.

Barry J. O'Toole
University of Loughborough

IN THE WAY OF WOMEN: MEN'S RESISTANCE TO SEX EQUALITY IN ORGANIZATIONS

C. Cockburn
Macmillan, 1991. 260pp. £35.00 (cloth), £9.99 (paper)

This book is an engrossing study of resistance to the implementation of equality policies in different kinds of organizations. The approach chosen is qualitative, not quantitative; it explores four different types of organization – a retail firm, a civil service department, a local authority and a trade union. Through the examination of documents, observation, formal interviews and informal discussions, the author gets to the heart of institutional, ideological and social-psychological barriers to systemic change.

The findings are not presented as case studies of individual organizations but arranged around the processes and relationships revealed by each set of enquiries. These are inter-woven with political and sociological ideas about equality, justice and economic relations and with reflections upon stratagems of change. Thus, for example, there are chapters on: bringing equal opportunity policies on to an agenda for action; the impact of forms of hierarchy on the way in which equality policies are thought of and practised; the use of ideas and ideology about gender and sexual 'sameness' or 'difference' in justifying particular employment conditions; and the coexistence of different and similar processes of domination and subordination by race, sexuality, class and disability. Each of the four organizations reveals lessons differently from one another. A complex picture of sins of commission and of omission is drawn, which provides the basis of a set of characteristics

that would need to be present for equality policies to be transformatory instead of tokenistic.

Some of the conclusions will not surprise those who are generally familiar with the problem of sex discrimination or with the politics of egalitarian change. For example, the retail firm and the trade union reveal the importance of commitment at points in the hierarchy where there is 'clout'; the local authority and the trade union reveal the importance of general participation in coming to understand the meaning of actions; in the civil service, tolerance of homosexuality is accompanied by an expectation of discretion which, among other things, renders the heterosexual power basis of work-place relations less susceptible to challenge; all of the studies reveal the tensions that arise from trying to dis-establish stereotypes and existing power relations. Some findings will help to refine emerging theories; for example, the fragility of the new category, 'the new man', and, on the other hand, the hidden but felt sense of loss on the part of the odd 'macho' character. The important point about this book is that its method reveals valuable and detailed insights into why things are as they are; what particular fears and conflicts of interest stand in the way of change; and the processes and consequences of marginalization, not only of vulnerable groups as a whole, but also of one from another. This means that the book has the triple virtues of increasing specialized knowledge, compelling the attention of readers generally interested in politics and society and being moving for all who are concerned about human dignity.

Elizabeth Meehan
Queen's University, Belfast

EQUAL OPPORTUNITY DEVELOPMENTS FOR WOMEN IN LOCAL GOVERNMENT: AN ANGLO-GERMAN PERSPECTIVE

Margery Povall and Monika Langkau-Herrmann (eds.)
Anglo-German Foundation, 1991. 220pp. £10.00 (paper)

Opportunity 2000 recently launched by the Prime Ministrer is a new initiative to open up opportunities for women sponsored by Business in the Community. This sparked off newspaper articles displaying the range of disadvantages and discrimination that exist for women in the private sector and why such an initiative is essential. Local government has a similarly patchy record of success to the private sector, therefore an exploration of recent equal opportunity developments in both Germany and England is timely.

Equal Opportunity Developments in Local Government provides a review of some of the policies that have been implemented for women in local government and raises issues for further research and action. For those familiar with the field the added interest is that it includes the experience of similar initiatives in German local government. The German contributors' chapters are printed in both English and German.

There are useful comparative reviews of the current position in both countries which clearly establish that the problems are shared and include: unequal pay; heavy family responsibilities; job segregation; discrimination in access and promotion; and under-representation within management levels. There is agreement amongst the authors that shifting inequality requires positive steps and a strong legislative framework and commitment from councillors and senior managers to achieve change.

The legislative framework in the UK has been established since 1975 and equality issues have been part of the public sector since then. In Germany the major introduction of equality initiatives flowed from the adoption of an EEC directive on equality in July 1980. Since that date more than 500 equality offices have been established and some states have adopted the system of having an independent Equality Commissioner who has the right to attend council meetings and speak. In the UK research carried out by Susan Halford

in 1988 showed that 61 per cent of authorities had some form of equality policy or staffing. However only 13 per cent of authorities within that total have specific women's initiatives and not all of them employ women's officers.

Equality officers and their role are at the heart of the discussion in the book. Organizational policies are being developed by these officers and the success or otherwise of equality initiatives will unfairly be laid at their door. Anna Whyatt raises the high cost for the individual officers of their role and queries whether the '"bolt on" approach of forcing special units into the organization has quite often resulted in their marginalisation'. She concludes by locating the further development of equality policies as part of the new management approaches exemplified by Rosabeth Moss Kantor.

In contrast another contributor defines a more static role: she cites as one of five distinct roles for an equality officer 'firstly, there is a policing role, which must be carried out when people fail to comply with equal opportunities policy or miss opportunities to take positive action'. In the current management debates in local government the emphasis is on devolution of decision making and a strong move away from large central organizations whose role is to 'police' service activities.

This difference in approach is not explored further but would be examined in proposed research which would be a thorough comparative analysis of the results achieved by different policies.

The argument of this book is that national and local government in the public sector should lead the way in equality. I strongly agree with this, but wholeheartedly endorse Kathryn Riley's proposals for further systematic research to assess the best ways of developing programmes which provide significant benefits to women.

Judith Hunt
Chief Executive, London Borough of Ealing

DEMOCRATIZING FRANCE: THE POLITICAL AND ADMINISTRATIVE HISTORY OF DECENTRALISATION

Vivien A. Schmidt
Cambridge University Press, 1990. 406pp. £35.00

Students and researchers in comparative politics, regoinal and local government will welcome Vivien Schmidt's new book with its extensive analysis of French local government ten years after the first Defferre reforms. For, in spite of its subtitle – *The Political and Administrative History of Decentralisation* – this study is focused on the decentralization reforms carried out during the Mitterrand presidency. Since 1982 there have been 40 laws and over three hundred decrees reorganizing many aspects of local politics, administration and finance and this book would be a valuable addition to the literature if its contribution were just to analyse those reforms and their impact in some detail. But it does much more.

In the first part of the book, some hundred pages, she seeks to locate the recent reforms in their historical context. This includes the measures taken by the governments of the first three presidents of the Fifth Republic and emphasizes the socialist and communist views on decentralization before they came to power in 1981. Her theme here is that despite fierce debates about and ambitious attempts at decentralization in the early years of several of the political regimes introduced since Napoléon, there seems to be an almost inherent tendency towards recentralization once those regimes stabilized. One of the innovative features of the socialist reforms was their break with the traditional, narrow, institutional concept of decentralization which had so often produced such disappointing results in the past. The first part concludes with an analysis of the measures, both administrative and political, enacted by the socialists.

In the second half of the book Vivien Schmidt sets out to assess the impact of the Defferre reforms – and once again justifies her subtitle by attempting a comparison with the effects of the major local government reforms enacted at the start of the Third Republic, during the Fourth Republic and during the conservative governments of the Fifth. This comparison is approached from three different angles. First as an historian she traces developments over time and considers the evolution of theories of centre-periphery relations. This leads on to a political sociological analysis of changes in the system of local relations between political and administrative actors. She builds in the work of many theorists, (notably Mény, Dupuis, Thoenig, Crozier, Worms, Grémion, Becquart-Leclercq and Tarrow) and provides the reader with a perceptive and critical analysis of their various approaches and conclusions. Her third approach is of the cultural anthropologist, examining and contrasting discourse and practice. She notes that before 1981:

> The reality of French local government...was that local elected officials had a great deal of hidden power and authority...but these officials were the last to admit this, using a rhetoric that instead suggested that they were essentially powerless next to the political and politicizing national government. With this rhetoric.   they threw up a wall of words to obscure the reality of an informally decentralized and politicized periphery (p. 222).

In short, decentralization was much greater in practice than in theory before the socialists reforms, but accountable local democracy remained weak.

She then shows that since 1981 a transformation of the local political-administrative structures has been achieved by formalizing the hitherto informal powers of local elected officials and by creating a new pluralistic politics in local institutions and processes. She also underlines the importance of the abolition of prefectoral supervision (*tutelle*) of elected local councils, the introduction of elected regional councils and the readjustment of relations between the three levels of local government and the legal limitation placed on the traditional practice of 'accumulating elected posts' (*cumul de mandats*). These changes are demonstrated not only by what local politicians and administrators have done, but also by what they have said. She perceptively analyses the 'new rhetorics' of local politics which both reflect and in some ways distort the new realities. Nonetheless, the law and practice of local government are now much more closely aligned than in previous decades. Furthermore neither local politicians nor local administrators can escape accountability for their policies.

This book is not only a mine of useful information, it is also consistently readable and thought-provoking. Anyone interested in France, its local government and history, will find it most rewarding to take the time to read it in full.

A. Guyomarch
The Roehampton Institute

LOCAL DEMOCRACY AND INNOVATION: EVENTS AND CHANGES: THE FIRST STEPS OF LOCAL TRANSITION IN EAST-CENTRAL EUROPE

G. Peteri (ed.)
LD and I Foundation, Budapest, 1991. 219pp.

We have all been enthralled at the sight of the collapse of Communist dictatorships in Eastern Europe, together with their repressive police and bureaucratic apparatus, which has taken place since Poland held her semi-free elections in June 1989. Equally, however, students of public administration are aware that, while disposing of governments and even presidents by popular demand is possible, changing administrative structures and the personnel who staff them is more difficult. Getting rid of the *apparatchiki* from Soviet state

administration has proved even more difficult than changing the role and behaviour of the KGB.

In this book, a group of East European scholars has come together to discuss the early stages of the development of democratic local government in Czechoslovakia, Hungary and Poland. The book contains accounts of the development of the local government systems of each country, starting around the time of the collapse of Communist Party rule. Existing structures, consisting of a mixture of regional, provincial and communal government, have been retained and are being altered piecemeal as it is thought necessary. No root and branch reorganization here; these countries have enough disruption to cope with without that!

The factor which formerly bound the system together was one-party democratic centralism, the fundamental principle of rule in Marxist-Leninist states. This has often been replaced by fragmentary multi-party systems, especially as economic privations have caused support for the parties who led the successful assaults on Communism, notably Civic Forum and Solidarity, to decline.

Local government finance reveals some familiar themes. Budgeting is everywhere incremental. Central-local tensions are building up in familiar fashion, especially over the allocation of tax revenues between the central government and the local authorities. The latter have been promised additional tax-raising powers but have not got them yet.

As an account of Eastern Europeans' attempts to cope with the massive changes which the collapse of Communism has brought about, this is an interesting and valuable document. It is not, however, a very satisfactory piece of academic publishing. Methodologies are elementary and common themes are not coherently developed. The English expression of the authors is often shaky: what a problem the absence of the definite and indefinite articles from the Slavonic languages poses when East Europeans use English! The authors are contributors to a continuing research programme which will, no doubt, produce a fully edited book in the fullness of time. The present work is only a stage along that road but it is nonetheless a valuable account of how post-Communist local government is developing.

Howard Elcock
Newcastle upon Tyne Polytechnic

THE CHANNEL TUNNEL: PUBLIC POLICY, REGIONAL DEVELOPMENT AND EUROPEAN INTEGRATION

Ian Holliday, Gerard Marcou and Roger Vickerman
Belhaven Press, 1991. 222pp. £32.00

The Channel Tunnel opens next year, after over a hundred years of discussion. Many of the public policy questions surrounding the Tunnel are well known – the financing; the routing, environmental impact and funding of a rail link to London; the need for links between the Tunnel and the rest of the UK. All these have been subjects of great controversy in Britain; contrasts are often drawn with France, where transport infrastructure is said to be better planned, better funded and implemented with far fewer delays than in Britain.

This book takes the Tunnel as a case study to compare public policy in Britain and France and the links between regions in Europe. In doing so, it turns popular assumptions about French and British policy making upside down. On this reading, it is the French Government which consults fully before reaching a decision, whereas the British plough ahead and deal with protests afterwards; it is the French which have decentralized decision making with regional and local interests fully consulted, while the British consult 'few if any interests outside central government'.

This difference emerges as one of the central themes of the book. It affected the different approaches taken by the British and French governments in planning, authorizing and funding the Tunnel; indeed, Kent County Council apparently found out more about the Tunnel planning from the French local and regional authorities than it did from the Department of Transport. The difference also affected, and continues to affect, the construction of links to the Tunnel. The British have built some road links, though on a purely reactive basis, but rail links have been left to British Rail, whereas both road and rail links were fully planned by the French government from the start.

The book deals in detail with other topics, including the markets and pricing for the Tunnel and the regional economic development implications of European integration (where the authors say that 'substantial policy initiatives' will be needed if regions in the centre of Europe are not to be simply transit corridors). But the overriding value of the book, to this reviewer anyway, is the dispelling of the mid-Channel fog that clouds views of the policy process in Britain and France. From this, we see clearly that the much-vaunted speed of French infrastructure planning depends in reality on highly developed policy networks which ensure that 'the French periphery, in contrast to the British, has guaranteed access to the centre of state power', so that all or most interests are included in decision making. In other words, the decision-making process may take longer, but once agreement has been reached, implementation can be speedy.

In Britain, by contrast, local and regional interests are excluded from centralized decision making, which gives policy makers greater freedom to take decisions, but also 'comparative freedom to ignore uncongenial policy areas' and therefore difficulty in implementing decisions once taken. As the authors say, 'in the case of the Channel Tunnel, this freedom proved to be destructive of efficient policy making'; those in Britain calling for pre-construction procedures on roads to be speeded up (in other words, for the policy networks formulating road schemes to be drawn still smaller and tighter) should bear this in mind.

Stephen Joseph
Transport 2000

RESHAPING THE STATE: NEW ZEALAND'S BUREAUCRATIC REVOLUTION

J. Boston, J. Martin, J. Pallot and P. Walsh (eds.)
Oxford University Press, 1991. 408pp. £17.50

The movement away from state economic planning and trading and the restructuring of government machinery and management has been common among the advanced industrial democracies but nowhere has it been pursued more energetically and consistently than by the radical Labour Government in New Zealand in the period 1984–90. This volume of essays comes from Victoria University, Wellington, where the editors and many of the contributors are based, well placed to observe the changes in the Wellington 'village'.

It is a comprehensive survey which starts with an account of the theoretical basis of the restructuring reforms, from public choice and agency theory to transaction cost analysis. The chapters include accounts of the corporatization of state-owned enterprises, the introduction of private sector management practices into the public sector and the consequent changes in industrial relations and personnel policies, and the reorganization of the machinery of government at central and (to a lesser extent) subnational level. Sections by Jonathan Boston and Pat Walsh dealing with the departmentalization of the civil service, the introduction of chief executives with powers to hire and fire staff and negotiate their conditions of work and the attempt to retain a top level career staff in the Senior Executive Service will be of great interest to British readers. So will the account by June Pallot of the accounting, auditing and financial management reforms which have been universally

introduced and closely designed to achieve the aims of managerial decentralization and control. John Martin, himself a former civil servant, contributes an analysis of the aims of democratic devolution and responsive government on the one hand and managerial decentralization on the other, and points out how they pull in opposite directions. He also raises questions about the future ethos of a 'managerial' public service.

The Labour government of 1984-90 hoped to achieve cost efficient government and thus reduce existing expenditure so that resources could be released for improved welfare services, a programme of more equal opportunities, and redress of the grievances of the Maori people. In the event, the study concludes that public expenditure could only be significantly reduced in the industrial and agricultural sectors, while economic liberalization led to higher unemployment which in turn raised the sums spent on social benefit. Since welfare expenditure was central to the Labour Party's social concerns, it was a protected area. The National Government which won the election in 1990 had no such reservations and is now attempting major cuts.

When the reckoning comes to be made of this latest attempt to achieve rational policy analysis and accountable decision making in government, New Zealand's experience will be of value because of the coherence and rigour of its reforms. This set of studies provides a first class analytical guide to them. Mercator's projection of the world tends to show New Zealand sliding off the bottom right hand corner of the map, but in this instance it merits a central position.

Enid Wistrich
Middlesex Polytechnic

REINVENTING RATIONALITY: THE ROLE OF REGULATORY ANALYSIS IN THE FEDERAL BUREAUCRACY

Thomas O. McGarity
Cambridge University Press, 1991. 384pp. £35.00 (cloth)

Neither regulation, nor the analysis of regulation by practitioners, are well developed in the United Kingdom. In the United States, on the other hand, the regulatory state has deep historical roots, while the self-conscious application of analytical skills to the regulatory process is also well established. Since the British state is becoming a more regulatory state, and since British pragmatism is slowly giving way to an interest in analysis, this study will have a particular interest to the British reader.

The book is a study of the way regulatory analysis and regulatory analysts function in a wide range of US agencies. McGarity's starting point is what he conceives to be the attack on regulation by the proponents of deregulation in the 1970s and 1980s. He argues that a particular model of analysis – analytical, quantitative, comprehensive – served important political functions. 'Impact analyses' derived from the comprehensive model were used to erect high barriers to the promulgation of new regulations. The model in turn was supported by an alliance of neo-classical economists, new right conservatives and affected industries. Against this model of comprehensive rationality McGarity sets an alternative, practitioner-derived model of techno-bureaucratic rationality, a close relative of Lindblom's incrementalism. He then explores the fate of the rational comprehensive model over a range of regulatory proposals in a variety of agencies. He concludes, unsurprisingly, that comprehensive modelling is not realized in practice. Most of the reasons will be familiar to a British audience: they concern the disjunction that exists between the role of the analyst and the realities of organizational life; and the inexact, incomplete and often arbitrary character of available data.

This summary may make McGarity sound like an apostle of 'muddling through'. His

position is more complex. While insisting that the techno-bureaucratic model is itself a form of rationality, he looks for an effective hybrid of the two models. The most valuable parts of the book consist of five chapters analysing the making of – or sometimes the failure to make – rules within particular agencies: the cases range from the regulation of air quality to the regulation of driver visibility in automobiles. These chapters provide a valuable close description of the rule-making process; an excellent account of the different roles that analysts can adopt, and of the tensions these roles can create; and an attempt to sort out the contingent organizational features that facilitate, or hinder, the contribution of the analyst. In this last connection there is a valuable typology of organizational roles: outside adviser, subordinate in a hierarchy, member of a team, adversary.

Not everything here is entirely convincing. The contrast between the two models seems overdrawn, something McGarity implicitly concedes in the body of the case studies. And the picture of regulatory analysts of a 'comprehensive' outlook as prototypical Reaganites offered in the opening pages likewise simplifies a complex picture. But these are marginal criticisms. This is a valuable book which will be read with benefit by three different audiences. Students of regulation will read it as a worm's eye view of practice in the most important of all national regulatory systems. Students of American government will add it to the literature on the American federal bureaucracy. And policy analysts will welcome it as an unusually subtle account of the different roles open to the technically qualified analyst who wishes to operate in a policy-making setting.

Michael Moran
University of Manchester

Institute Regional Groups : Secretaries

Birmingham and West Midlands
MICHAEL HUGHES
Forward Consultancy Initiative, Birmingham City Council,
4th Floor, Clarence Chambers, 39 Corporation Street, Birmingham B2 4LS

Edinburgh and East Scotland
IRENE OGILVIE
Room 2, Scottish Office Training Unit, 16 Waterloo Place, Edinburgh

Glasgow and West Scotland
JACQUELINE CHARLTON
Department of Law and Public Administration, Glasgow College,
70 Cowcaddens Road, Glasgow G4 0BA

London
BARBARA HALL
8 Walnut Close, Stoke Mandeville, Aylesbury, Bucks HP22 5UG

Northern
KEN MITCHELL
Room C1812, Department of Social Security, Longbenton, Newcastle upon Tyne NE98 1YX

North West
KEN PHILLIPS
Head, School of Public Policy and Administration,
Faculty of Health and Social Studies, Lancashire Polytechnic, Preston PR1 2TQ

Northern Ireland
E. C. WILSON
Management Development Centre, Rosepark House, Upper Newtownards Road,
Belfast BT4 3NR

Nottingham and East Midlands
PAUL HOLLINGSWORTH
Department of Social Security, 1 Shakespeare Street, Nottingham NG1 4GJ

South Wales
BOB TURNER
Cardiff Business School, University of Wales College of Cardiff, Aberconway Building,
Colum Drive, Cardiff CF1 3EU

Wessex
Vacant

Yorkshire and Humberside
PROFESSOR MIKE CAMPBELL
Policy Research Unit, Leeds Polytechnic, 43 Woodhouse Lane, Leeds LS2 8BW

NOTES FOR CONTRIBUTORS

Please send *two* copies of your article to the editor:

R. A. W. Rhodes
Department of Politics
University of York
Heslington
York YO1 5DD
Telephone (0904) 433540

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THE POLITICAL ECONOMY OF REGULATION: INTERESTS, IDEOLOGY, VOTERS, AND THE UK REGULATION OF RAILWAYS ACT 1844

IAIN MCLEAN AND CHRISTOPHER FOSTER

Government regulation of the railways in the United Kingdom dates back to the 1840s. Between 1840 and 1844 three regulatory Acts were passed, and a system of government inspection set up which has remained substantially unaltered to the present day. The principal Act, that of 1844, contained controversial powers of rate-capping, state purchase of railways, and detailed price and quantity regulation. It is still frequently held that the Victorian era marked the triumph of *laissez-faire* and that W. E. Gladstone, the promoter of the 1844 Act, was one of its leading spokesmen. The article therefore explores why regulation occurred at all and why it took the forms it did. Gladstone's actions are evaluated in relation to the standard hypotheses about the origins of regulation. Hypotheses on the motives of MPs voting for and against regulation are tested using the Aydelotte dataset which contains very full personal and ideological data on the MPs of the Parliament of 1841–7.

I. RAILWAY REGULATION AND THE NEW POLITICAL ECONOMY

Government regulation of the railways in the United Kingdom dates back to the 1840s. The Regulation of Railways Act 1844 (7 & 8 Vict. c.85) was pushed through Parliament by W. E. Gladstone, President of the Board of Trade, despite fierce opposition from the railway companies. Section 1 of the Act gave Parliament the power, from 21 years after its passage, to cap the rates of any new line which was earning more than 10 per cent a year on the value of its paid-up stock. Section 2 empowered Parliament, after the same period of time, to nationalize any new railway company which was making over 10 per cent annual profits. Section 6 was the famous 'parliamentary train' clause, which was to apply to any company, old or new, whenever it sought new parliamentary powers. It required every company to run at least one train each way every weekday which stopped at every station and carried third-class passengers in covered accommodation with seats at an average speed (including stops) of not less than 12 m.p.h. and a fare of not more than 1d a mile. Other sections obliged companies to carry the mail (at any

Iain McLean is Professor of Politics at the University of Warwick and Sir Christopher Foster is a Senior Partner of Coopers and Lybrand Deloitte.

safe speed not over 27 m.p.h.); to carry troops or police; to allow public telegraph lines to be erected along their rights-of-way; and to open their own telegraph systems to public use.

The origins of railway regulation are of interest for several reasons. *Firstly*, regulation is a testbed for theories of public administration derived from political economy. We shall consider four schools and seven hypotheses. The schools are:

(1) *Marxism*, or more broadly the structuralism of which Marxism has been the most prominent version, argues that politicians' actions are determined by their economic role. This assumption is common to Marxists and to their ideological opponents, namely:

(2) the followers of Sir Lewis Namier. Marxists and *Namierites* agree that political actors are driven by their economic roles, but differ as to the level of analysis (macro for Marxists and micro for Namierites).

(3) Variants of modern normative political economy (*public choice*). The following claims are relevant: that politicians maximize their probability of re-election, not the public (dis)interestedness of their policies; that over time politics in a democracy will become dominated by 'distributional coalitions' of producer-group interests; and that interests engage in continuous rent-seeking: that is, use resources to lobby for protected monopolies or other means of securing economic rent (Buchanan 1986; Olson 1982; Rowley *et al.* 1987).

(4) Alt and Shepsle's (1990, pp. 1–2) manifesto on behalf of *'positive political economy'* (hereafter PPE): in contrast to 'atheoretical. . . thick historical description' and to the normative orientation of public choice, PPE 'seeks out principles and propositions against which actual experience can be compared in order to understand and explain, not judge, that performance'.

What follows is intended to be political economy as well as thick description as we try to distinguish among the different schools of political economy.

Even to a cursory glance the Parliament of 1841–7 is odd. The Tories, the party of agriculture and protection, held a comfortable majority; and yet a third of them voted with Peel in 1846 to repeal the Corn Laws. This action damaged the economic interest of many Tory MPs and their constituents, and it destroyed the Tory Party as a serious contender for power for a generation. Why should MPs act so apparently self-destructively? The Railways Act is less spectacular, but its third reading was unopposed even by the 'railway interest'. And it has an extra twist which repeal of the Corn Laws does not. The ideology of classical economics, in which the bureaucrats of the Board of Trade were soaked and to which Peel and Gladstone were both converted (Brown 1958, pp. 20–33, 214–31; Feuchtwanger 1989, p. 43; Shannon 1982, pp. 117–20), strongly favoured free trade, but not regulation. Thus, even before detailed examination of our case, we see that it poses stiff challenges to orthodox political economy.

Second, the politics of regulation has only recently been rediscovered in the UK. Since large-scale privatization of public services began in 1979, both practitioners

and academics have gradually been discovering that privatization of a public monopoly entails creating either an unregulated private monopoly or a regulatory framework. The political economy of regulation has been recreated painfully apparently from scratch. Yet it need not have been so. The Victorian pattern of railway regulation had lain there almost undisturbed for a century and a half. The 1844 Act was supplemented but not abandoned; its basic pattern of price and quantity regulation was not abolished until the Transport Act 1960. The safety regulation survives to this day, and railway accidents are still investigated by retired officers of the Royal Engineers. Between 1844 and 1923 there were further highly charged, and highly publicized, attempts to tighten the regulation of railway safety and/or rates. Victorians knew very well that there was a 'railway interest' comprising MPs and peers who were directors of railway companies, who led the opposition to further regulation. *Bradshaw's Railway Almanack* published a list of them every year from 1847 until 1923. Victorian regulation remains underresearched (but see Alderman 1973; Foster 1992; Gourvish 1972; Kostal 1989; Lubenow 1971; Parris 1965 and Williams 1952).

Third, as a simple matter of history, Gladstone's Bill set the pattern for regulation of natural monopolies not only in Britain but elsewhere: it shaped the US 1887 Interstate Commerce Act, which itself shaped subsequent regulation in the USA (Breyer 1982, pp. 6, 199; McCraw 1984, p. 13). There has been far more interest in regulation in the USA than in the UK, among practitioners and academics alike. The hypotheses to be described shortly have mostly been developed by Americans on American data; here they can be tested on an event of founding importance for regulation on both sides of the Atlantic.

Fourth and finally, there is a matter of historical interpretation. Almost every railway historian assumes that the 1844 Act was important and beneficial; almost every economic historian has argued that it was misconceived but, fortunately, unimportant because it was emasculated in Parliament (compare for example Ellis 1954, pp. 128–31 with Clapham 1926, pp. 417–21; Alderman 1973, p. 17; and Lubenow 1971, pp. 114–6, 182). Railway historians are usually amateurs. Economic historians are usually professionals, who can be witheringly sarcastic about the quality of the amateurs' evidence and argument (Hawke 1970, pp. 93–9). However, we shall argue that in this case the railway historians are right and the economic historians wrong.

II. WHY WAS THE 1844 BILL PROPOSED?

This article tests seven hypotheses about the motives for regulation. The *hegemonic ideology* thesis originates from Marx's dictum that in every era the ruling ideas are the ideas of the ruling class. According to this thesis, regulation could be, like the repeal of the Corn Laws, an ideological move associated with the triumph of classical economics. Not only Marxists are associated with this idea (see for example Krasner 1976) but we will call it Marxist for short. Likewise the *party interest* thesis which argues that the parties represented bundles of socio-economic interests, and that politicians' actions were designed to forward their party's (and hence their socio-economic group's) interest. Again, 'Marxist' will be used as shorthand for

a more comprehensive label. *Individual wealth-maximization* is consistent with the public choice or PPE approaches, but is most associated with Namierism. It is the hypothesis that MPs' and ministers' actions are driven by the desire to make themselves rich, and advance their interest outside and inside Parliament. *Bureau-cratic advancement* is most associated with public choice, but is consistent with PPE. It suggests that regulation is introduced by and in the interests of bureaucrats in order, among other things, to boost their pay and prestige. The *vote motive* hypothesis suggests that politicians introduce regulation in order to win or gain votes at the next general election in their district. The vote motive hypothesis emanates from public choice and is also consistent with PPE. The *regulatory capture* hypothesis suggests that regulation is introduced with the connivance of the industry to be regulated to its own (at least ultimate) advantage. It also emanates from public choice and is consistent with PPE. The *public-interest* hypothesis is that politicians introduce regulation because they perceive it to be in the public interest. Although assumed true by many historians, this idea is supported by none of the schools of political economy except PPE. The hypotheses are tabulated below, together with the schools of political economy with which they fit.

Hypothesis	Consistent with
Hegemonic ideology	Marxism
Party interest	Marxism
Individual wealth-maximization	Namierism, public choice, PPE
Bureaucratic advancement	public choice, PPE
Vote motive	public choice, PPE
Regulatory capture	public choice, PPE
Public interest	PPE

III. THE BACKGROUND TO THE BILL

Every railway which wished to open to the public had first to obtain a private Act of Parliament. Parliament gave the company the right to purchase land and operate across public highways; in return it laid down maximum toll rates which the company must not exceed. Railway Acts were modelled on earlier acts authorizing turnpike roads. To begin with, parliamentarians assumed that the railways would, like turnpike roads, provide the track, on which others would run goods and passenger vehicles. The railways' tolls for track use were regulated, but the charges for carriage were not. Some of the first railways, such as the Stockton & Darlington (1825), did indeed work somewhat like turnpikes. But even this railway was its own freight carrier, and only for passengers did it levy tolls. Soon after the first trunk line, the Liverpool & Manchester Railway, opened in 1830, it became clear that the turnpike model was impracticable both technically and economically. Technically, because increasing speeds and long braking distances meant that some one body had to be responsible for deciding when a train could enter a section of track. Economically, because any entrepreneur who tried to put a private locomotive on the track would be at the mercy of the railway company as soon as he ran out of water. In 1841, the Officers of the Railway Department argued that:

1. Railway Companies using locomotive power possess a practical monopoly for the conveyance of passengers. . . , and that under existing circumstances this monopoly is inseparable from the nature of these establishments, and from the conduct of their business with due regard to the safety of the public.

2. This monopoly is the result of circumstances contemplated neither by the Legislature nor by the Companies themselves. The extensive powers contained in their Acts of incorporation have been obtained under the impression that the interests of the public were sufficiently secured by fixing a maximum rate of tolls, and providing for free competition in the supply of locomotive power and other means of conveyance.

3. Under these circumstances, the Legislature is bound to provide that the public interests shall not suffer from the mistaken view taken in the infancy of the science of locomotion, and that for this purpose the powerful monopolies, in whose hands a large and increasing portion of the internal communication of the country is placed, should be subjected to the supervision and control of the Board of Trade. . .

5. With a view to the protection of the public against any abuse of their irresponsible powers on the part of these monopolies, the Board of Trade should have the power of ascertaining precisely what the system is which is enforced towards the public on every railway, and of disallowing any part of it which appears obviously arbitrary or objectionable. . .(Parliamentary Papers, House of Commons, 1841 First Session, vol. XXV).

The Railway Department comprised just three professional staff – a statistician, an engineer, and a lawyer (Parris 1985, pp. 31–5). It was semi-detached from the Board of Trade proper, and its economic views were evidently less rigorously classical. However, they struck a chord with Gladstone, the *de facto* minister responsible from 1841–3, and *de jure* 1843–5.

  Gladstone entered politics not as a free-trader or as a Liberal, but as a Tory determined to protect and enhance the role of the Church of England as a state church. This aim dominated his life from his entry to Parliament in 1832 until he resigned from Peel's cabinet over a grant to the Catholic seminary in Maynooth in 1845. Peel picked him out as an able administrator and gave him a junior government job in 1834–5. In 1841, the Tories won a clear General Election victory. Peel offered Gladstone the Vice-Presidency of the Board of Trade. This disappointed Gladstone, who had hoped to govern Ireland: 'the science of politics deals with the government of men, but I am set to govern packages' (Feuchtwanger 1989, p. 41). His education in free trade, regulation and lobbying continued intensively through his four years in office. He was converted to free trade while negotiating the tariff reductions of 1842. These negotiations confronted him with aggrieved producer-groups who stood to lose their monopoly rents:

  B of Trade and House 12 3/4 – 6 3/4 and 9 1/4 – 1 1/2 [i.e. 12.45 to 18.45 and 21.15 to 01.30]. Dined at Abp of Yorks. Copper, Tin, Zinc, Salmon, Timber,

Oil, Saltmeat, all are to be ruined, and all in arms (Diary for 15.3.1842 in Foot and Matthew 1974, p. 187. Hereafter cited as Gladstone, diary, <date>).

Gladstone's father, a West India trader in Liverpool, had earlier drawn him into (what his biographers assume was) embarrassed lobbying on behalf of the slave-owning sugar traders of the West Indies. These experiences seem to have made him scorn lobbyists. In 1844, when the railway companies lobbied Peel against Gladstone's Bill, Gladstone published a sharp exchange of letters with them in which he had forced them to admit that the delegation had not been authorized by the boards of the railways represented ('Copies of any Memorial to Sir Robert Peel, by certain Directors and others connected with Railway Companies, against the Railways Bill now before this House; and of any Correspondence thereupon between the Board of Trade and the Aforesaid Memorialists', Parliamentary Papers, House of Commons, 1844 XLI.)

Gladstone's Bill of 1844 was 'a personal rather than departmental measure' and he persevered with it despite the 'indifference [or] hostility' of the rest of the Cabinet (Parris 1965, pp. 55–6). The Railway Department had a reform agenda, mostly concerning safety (Parris 1965, pp. 45–6; Ellis 1954, pp. 95, 130). However, the immediate impetus for the Bill, and the strategy for getting it carried, were due to Gladstone alone. He argued that the need for regulation arose 'owing to the great and almost unparalleled extent of capital unemployed' in Britain. Early railways had seemed to be dubious investments. By 1844 they had proved themselves technically and economically and were earning large dividends. Therefore there was a sudden rush to promote new schemes, and the Private Bill Office had more railway bills in hand than ever before. Gladstone did not think that the entry of new railway companies would bring the railway business into competitive equilibrium. Rather, if Parliament were to allow competing routes between the same towns, 'it would afford facilities to exaction...an increase of the evil, ...a mere multiplication of monopoly' (Hansard 3rd series vol. 72, cols. 232–6). Hence Gladstone proposed:

a) a power to cap the rates of new railways after a period of years, to such a level such that their dividends would be held at 10 per cent of the value of their issued capital;
b) a power to nationalize any such lines after the same period of time;
c) a change in Private Bill procedure to enable the Board of Trade to scrutinize all railway bills affecting the same part of the country together, and to decide which route it was most in the public interest to permit;
d) to improve the standard of third-class travel. He stated that there was 'very strong feeling on this subject, both within the House, and out of doors', and added that third-class passengers could see all too plainly the difference between their carriages and those for first- and second-class passengers. (They still can, by going to the National Railway Museum, York, and comparing the third-class open trucks of the Bodmin & Wadebridge Railway with contemporary first- and second-class carriages.)

Gladstone's economic reasoning was sophisticated (Foster 1992), especially for a self-taught politician writing before Cournot's work on oligopoly was known in the English-speaking world. Most companies were discriminating monopolists. They charged fares which guaranteed a substantial operating profit, but which just undercut stagecoach fares. They were reluctant to put third-class coaches on first- and second-class trains for fear that passengers would leak on to the cheaper coaches. They negotiated exclusive deals with some road carriers to take passengers and goods to places not on the railway, and excluded others from station yards or refused to carry their goods (Fifth Report of the Select Committee on Railways, Minutes of Evidence, Parliamentary Papers, House of Commons, 1844, XI.; Hawke 1970, p. 360; Gourvish 1972, pp. 34–44, 71; Kostal 1989, ch. 5). Gladstone perceived that it was difficult or impossible to enforce competitive behaviour by direct regulation. It was also unrealistic to expect competition between companies to do the job. A promise by a new company to provide effective competition should be treated with suspicion because such companies' Acts might be: 'improperly used as efficient instruments of extortion against the subsisting Companies, to whom might be offered only the alternative of losing their traffic or of buying off opposition.' Even if a rival company were to construct its line rather than let itself be bought off, Gladstone: 'cannot conceive that two bodies, or even three, acting by compact executive Boards, and secure against the entrance of any other party into the field, will fail to combine together.' George Hudson, the 'Railway King' and leader of the lobby against Gladstone's Bill, cheerfully admitted to Gladstone's Select Committee that he had offered the rival Leeds & Selby Railway a sum of money to 'shut up their line', which they had accepted (Fifth Report. . ., Report p. xii, Minutes of Evidence p. 333, q. 4395, Parliamentary Papers, House of Commons, 1844, XI).

Thus, by what would now be called game-theoretic reasoning, Gladstone concluded that the railway market was bound to fail. There were two games to consider: the game between an existing (natural monopolist) company and the government, and the game between an existing company and a new entrant. In the first game, the company was likely to be able to fend off attempts to regulate its rates directly because of information asymmetry. The company knew its full schedule of rates and the government did not; therefore attempts to regulate rates simply led to the company reformulating them in a slightly different form, so that would-be regulators or plaintiffs would have to start all over again. As to the second game, Gladstone saw further than Cournot. Companies would not simply adjust their production in response to each other's activities. Rather, they could be expected to collude and share monopoly rent: as they were 'acting by compact executive Boards' they could be expected to arrive at the cooperative (collusive) equilibrium in their prisoners' dilemma game. Gladstone therefore asserted 'the undoubted right and power of the State to promote the construction of new and competing Lines of Railway, as a means of protection to the Public against the consequences of the virtual monopoly which former Acts have called into existence' (Fifth Report, p. xii, Parliamentary Papers, House of Commons, 1844, XI).

IV. GLADSTONE'S TACTICS

Gladstone appointed a fifteen-member Select Committee on Railways, including his Whig predecessor, Henry Labouchere, (who sided with Gladstone whenever he spoke) and two railway directors (who did not) (*Hansard* 72; 232–55, 286–95, 471). Between March and June 1844, the Select Committee produced six reports and took minutes of evidence which occupy 682 pages of the large-format Parliamentary Papers. All evidence suggests that the enquiry was dominated by Gladstone from start to finish. According to one of the two railway-interest members, Gladstone came to it with a '"hypothetical outline", which he fully intended to cram down their throats'. This was a draft agreement between the government and the railway companies which Gladstone claimed offered some advantage for both sides. He then 'dressed his fly very skilfully', and persuaded some of the company chairmen who appeared before the committee to agree to it. But when two of them refused, 'it was then found to be no more than an Indian-rubber body with gauze wings'. When Hudson refused to rise, 'the hypothetical outline was quite blown' (Thomas Gisborne, MP, *Hansard* 76; 663).

Gladstone's Hypothetical Outline asked the railways to guarantee 'a means of communication for the poorer classes, in carriages protected from the weather, at a moderate charge'. These rules need only apply to one train a day, and railways could carry other third-class traffic (if any) by whatever arrangements they liked. His main offer in return to the companies was 'The principle that competing lines, as such, and without a legitimate traffic of their own, ought not to be encouraged when better arrangements can be made' (Hypothetical Outlines of Considerations which may be given to, and asked from Railway Companies, as equivalents in an amicable Agreement. Appendix to Fifth Report, Parliamentary Papers, House of Commons, 1844 XI). The company chairmen who appeared before the committee mistrusted, or failed to understand, this early corporatist bargain. Hudson was delighted that existing companies might be protected from competition – 'it will be a great boon to railway property' – but appeared unprepared to accept that any interests other than those of existing lines required protection. He was obsessed with stopping what was to become the East Coast Main Line from King's Cross to York, which would eventually take the traffic away from his old roundabout route to York. He did not appear to understand the deal which Gladstone was offering (Fifth Report..., Parliamentary Papers, House of Commons, 1844, XI. Minutes of Evidence, pp. 320–33, qq. 4203–4395. Quotation from q. 4203).

When his fish failed to rise to the Hypothetical Outlines, Gladstone decided to use a trawl-net instead. He forced the Third Report of the Select Committee over the objections of the railway-director members. This stated that the railways' monopoly 'is...regarded, even at the present day, with considerable jealousy by the Public at large', jealousy which could be expected to grow 'if the profits of Railways generally should be augmented in any very great degree'. Therefore it proposed nationalization and rate-capping. It is not clear whether at this stage Gladstone's strategy was to bargain with the companies or to defy them. He held

two cards. One was that the railways needed an Act to reverse a recent rating (property tax) decision hostile to them. The other was that many railways had been issuing illegal and unsecured 'loan notes' over and above the debt they were allowed by their Acts to issue; they therefore needed legislation to legalize the practice. Gladstone used these cards to get the Parliamentary Train clause applied to all companies, old and new, without incurring the accusation of retrospective legislation:

> as it rests upon the principle that the Companies affected by it are voluntary Suitors for the aid of the Legislature, to enable them, in some instances, to legalise transactions which they have conducted without the sanction of the law; in others to extend and enlarge, for their own benefit, the concerns in which they are engaged; and that it is open to those Companies to accept the aid, with the conditions attached to it, or to decline both the one and the other (Fifth Report, Parliamentary Papers, House of Commons, 1844, XI).

The Bill which he introduced was much more radical, and hostile to the railway interest, than the Hypothetical Outline. Its terms for nationalization and rate-capping gave wide executive powers to the Board of Trade. For instance, it was to have the power to deduct money otherwise due to rate-capped or purchased railways if it considered that their assets had been badly managed, and the power to make:

> such regulations...as shall appear to [it] to be required for the public con-venience, and necessary for securing to the public the full benefit of such revised scale of tolls, fares and charges (A Bill to attach certain conditions to the construction of future Railways...and for other purposes in relation to Railways. Quoted at cl. 6; see also cl. 2, 9, 10, 11, Parliamentary Papers, House of Commons, 1844, IV, pp. 415–35).

After an unsuccessful attempt by his two principal opponents on the committee to have the Bill rejected without discussion, Gladstone introduced it with an aggressive speech. He complained that in discriminating against some road carriers 'the Railroad had gone among individual traders very much like a triton among the minnows'. He evoked the spectacle of a sinister interest combining railway directors and the 'deeper power in the opposition, and he might as well use plain language,...Parliamentary agents and solicitors'. He ridiculed the claims of the railway interest that the Bill was 'a shock' to property and pointed out that railway shares had continued to rise since the Third Report announced Gladstone's inten-tion to legislate and even since the companies' petition to Peel to withdraw the bill had been rejected. He concluded:

> I shrunk from a contest with Railway Companies...but being persuaded that justice is not with them, but against them...I do not shrink from the contest. I say that although Railway Companies are powerful, I do not think they have mounted so high, or that Parliament has yet sunk so low, that at their bidding you shall refuse your sanction to this bill... (Loud cheering) (*Hansard 76*; 489, 502, 508–9).

The Second Reading was carried by 186 to 98 – 'a satisfactory division' (Diary, 11.7.1844). However, Gladstone was forced to enter a further round of discussions with Hudson, in order to preserve the Bill's chances of passing in the 1844 session (Lambert 1964, pp. 106–7; Hyde 1934, pp. 159–77). In committee, Gladstone withdrew the clauses giving the Board of Trade executive power over nationalized and rate-capped companies, and the Bill passed without a division. The rate regulation and state purchase powers remained, but with a declaratory statement that they could not be triggered except by Act of Parliament and that it was not the Act's intention that nationalized companies should compete against existing private ones. By comparison with his Bill, Gladstone had certainly suffered a defeat, which has led economic historians to conclude that the Act was a dead letter. The sophisticated proposals of the Bill might have enabled the government to enforce regulation despite the companies' information advantages; the version enacted did not. Even so, the knowledge that the state control plans remained must have influenced rational railway investors and managers. One sure way of avoiding nationalization would be to ensure that your rate of return remained below 10 per cent; a way to ensure that in turn was to build unprofitable branch-lines, as conspicuously happened in late Victorian times, and avoid regulation by over-capitalization. The history of British railways from 1844 to 1923 may therefore be evidence for the hypothesis that regulated industries evade the effects of regulation by over-capitalization (Averch and Johnson 1962). Furthermore, by comparison with his starting position the Hypothetical Outline, Gladstone had gained more regulation. The rate revision power was in the Hypothetical Outline, but the state purchase power was not. The powers relating to the telegraph, also not in the Hypothetical Outline, passed unchallenged, perhaps because there was no distributional coalition of telegraph manufacturers and operators.

In 1864, when the opportunity to purchase or rate-cap railways under the 1844 Act was becoming imminent, Gladstone was Chancellor of the Exchequer in a Liberal government. He was no more hostile to state purchase in principle than in 1844, and he drew up a scheme for implementing his own legislation. But the government did not pursue it after a Royal Commission on Railways recommended against doing so (Matthew 1986, p. 119).

We now turn to evaluating the hypotheses. *Hegemonic ideology* may explain Repeal of the Corn Laws (though even here it faces problems – see McKeown 1989; McLean 1990), but not railway regulation. The classical economists had no clear prescription for regulation of natural monopoly. For some, Gladstone's Bill was 'a mass of antiquated, exploded, and objectionable principle' (*Economist* 1, 1843–4, 962, cf. also John Bright's speech on the Bill, *Hansard* 76; 626–34). Others' saw that, even within the framework of classical economics, there was a case for the regulation of natural monopoly. The most prescient was James Morrison MP, who made a cogent speech in favour of railway regulation in 1836 (*Hansard* 33, 977–88; cf. Foster 1992, ch. 1). While several of Gladstone's arguments were similar to Morrison's, Gladstone's reasoning may have been independent of Morrison's. He did not acknowledge Morrison in 1844, and there is no reference to Morrison in his diaries during the Peel Administration. But even if he had been influenced by

Morrison, those views were not sufficiently established as orthodox classical economics to demonstrate hegemonic ideology. *Party interest* is not supported: the Bill was not a party measure and the Cabinet did not support Gladstone strongly. (The party profile of votes on the Bill is examined in the next section.) *Individual wealth maximization* is not supported either. Theoretically, those with interests in every industry other than railways stood to gain from railway regulation; but the gain to any individual is much too small to account for his behaviour. It would be particularly ludicrous to apply it to Gladstone. By 2 March 1844 ('An awful day') he had already threatened to resign from Peel's government over Maynooth. On 8 July, the same day as his aggressive speech introducing the Railways Bill, Gladstone discussed the timing of his future resignation with Peel; he duly resigned in February 1845 (Diary for dates stated). A long conversation between Gladstone and Peel, recorded by Gladstone immediately after Peel's resignation, shows that Peel had no wish to be re-elected either (Diary 13 July 1846). These facts also falsify the *vote motive* hypothesis. Most discussion in the Second Reading debate revolved around the Parliamentary Train clause, and MPs regaled the Commons with stories of the horrible things that had happened to their constituents. But most third-class travellers did not have the vote. The vote motive hypothesis cannot be rescued, for either Gladstone or Peel, by asserting that they were maximizing their *long-run* probability of re-election. It could be said that Gladstone was nurturing a long-run reputation for probity. But this cannot be fitted into the public-choice framework without making it vacuous, because a public-choice theorist could equally dismiss any apparently disinterested act by a young politician as nurturing his long-run reputation (and any disinterested act by an elderly politician on the grounds that he no longer need face re-election). The *bureaucratic* hypothesis gets some support from the evidence. Gladstone's bureau, the Railway Department, had led the pressure for safety regulation and had made the second coherent economic case for regulation in their report of 1841 (see above), five years after, and independently of, Morrison. However, the evidence that Gladstone led them in 1844 rather than *vice versa* is particularly clear. Recall, too, that there were only three of them. Bureaucratic self-advancement may plausibly explain tariff and sanitary policy (Brown 1958; Lubenow 1971, ch. 3), but not railway policy. The *regulatory capture* hypothesis is not supported, and for an interesting reason: Gladstone actually offered the companies a 'capture', that is to say a corporatist bargain, in the Hypothetical Outline. For whatever reason (the minutes of the Select Committee suggest an inability to grasp what was being offered and why it was a Paretian trade) the companies rejected the deal. So Gladstone drew up a fiercely interventionist Bill which became a moderately interventionist Act. The companies admittedly saw off the clauses they most disliked; but if regulatory capture were true, they would have been able to see off the rest as well. The *public interest* hypothesis stands as the most correct of those examined. Gladstone contradicts the public-choice assumption that politicians are maximizers of their re-election chances, rather than of the public interest as they see it.

V. WHY WAS THE 1844 BILL PASSED?

In this section five of our seven hypotheses will be tested against MPs' votes. (The votes cannot help evaluate the bureaucratic or regulatory capture hypotheses.) MPs are assumed to be motivated by some mixture of *ideology, party interest, personal interest, constituency interest,* and perceived *public interest.* Personal interest may be measured both by MPs' personal status (their wealth, connection with the land, relationship to the aristocracy) and by their known economic interests. Constituency interest may be measured by variables on constituencies such as their location, how rural they were, and the number of voters.

Two factors not directly captured in our data, which we shall therefore try to measure indirectly, are MPs' perceptions of the public interest, and the extent to which MPs were the clients of patrons who 'owned' seats. Historians disagree as to the proportion of seats which can be so described. But there were certainly some, one of which was Gladstone's own constituency of Newark (Clark 1951; Gash 1977, pp. ix–xxv; on Newark, Feuchtwanger 1989, pp. 17–18). If patrons' interests diverged from constituents', this would provide a further dimension for measuring MPs' votes.

Of the 188 votes (including tellers) in favour of the second reading of Gladstone's Bill, 141 came from Conservatives and 47 from Liberals; of the 101 votes against, 29 were from Conservatives and 72 from Liberals. Thus it was a party measure, but not wholly so: both parties were divided, but the proportion of Liberals who voted in favour was higher than the proportion of Conservatives who voted against.

Table 1 shows two crosstabulations of vote by party. 'Peelites' are those who voted with Peel to repeal the Corn Laws in 1846, the Act that splintered the Conservative Party. A number of them including Gladstone later joined the Liberal Party. The three-way division of Liberals is mostly derived from their self-description in *Dod's Parliamentary Companion.* It is possible to regard this five-way party breakdown as a linear scale from the non-Peelite Conservatives on the 'right' to the Radical Reformers and Repealers on the 'left'. These terms must of course be handled with great care. However they do have some meaning for a wide range of issues that came up in the Parliament of 1841–7. W. O. Aydelotte collected data on 186 Commons divisions in that Parliament (reanalysis of this dataset occupies the rest of this article). By Guttman scaling, 120 of them can be shown to lie on one dimension such that propositions and MPs can be ranged from the most 'left-wing' to the most 'right-wing'. This produced the ordinal variable 'Bigscale' in Aydelotte's analysis. He finally produced no less than 24 Guttman scales, or ideological dimensions, out of the 186 divisions. Many of these are highly intercorrelated, and it is not surprising that MPs' votes on the Railways Bill are strongly associated with their positions on many of the scales. However, the Railways Bill vote is not itself one of the components of any of the scales, including the Big Scale (Aydelotte 1963, 1966, 1967, 1970, 1972, 1977; correspondence with Professor Aydelotte).

The reason for this can be seen from a careful study of the five-way party breakdown in table 1. The strongest partisans of the Bill were those who later

TABLE 1   Votes on the Second Reading of the Railways Bill, 11 July 1844, by party

A. Two-party breakdown

DIV059 Railways Bill 11 July 1844 407 by PARTYBK2 two way party breakdown

		PARTYBK2		
Count Row Pct Col Pct Tot Pct		Conservative 1	Liberal 2	Row Total
DIV059				
Positive vote	1	141 75.0 82.9 48.8	47 25.0 39.5 16.3	188 65.1
Negative vote	2	29 28.7 17.1 10.0	72 71.3 60.5 24.9	101 34.9
Column Total		170 58.8	119 41.2	289 100.0

p<.01. Association (Spearman's ϱ) = .448.

B. Five-party breakdown

DIV059 Railways Bill 11 July 1844 407 by PARTYBK5 five way party breakdown

		PARTYBK5					
Count Row Pct Col Pct Tot Pct		Non- Peelite Cons 1	Peelite 2	Whig- Liberal 3	Reformer 4	Repealer 5	Row Total
DIV059							
Positive vote	1	91 48.4 77.8 31.5	50 26.6 94.3 17.3	28 14.9 37.3 9.7	18 9.6 42.9 6.2	1 .5 50.0 .3	188 65.1
Negative vote	2	26 25.7 22.2 9.0	3 3.0 5.7 1.0	47 46.5 62.7 16.3	24 23.8 57.1 8.3	1 1.0 50.0 .3	101 34.9
Column Total		117 40.5	53 18.3	75 26.0	42 14.5	2 .7	289 100.0

p<.01. ϱ = .345.

Source for all tables: Aydelotte dataset. Definitions of 'party': In two-party breakdown, 'Conservative' = described in contemporary sources as 'Conservative' or 'Tory'. 'Liberal' = all others. In five-party breakdown, 'Peelite' = Conservative who voted in favour of Repeal of the Corn Laws, May 1846. 'Whig', 'Liberal', 'Reformer', 'Repealer' = in most cases, self-description from contemporary sources, in default of which assigned by Aydelotte. See further Aydelotte (1966) pp. 104–4.

became Peelites. On the Big Scale, the Peelites appear as the more 'moderate' or 'left-wing' Tories and their protectionist rivals as the more 'extreme' or 'right-wing'. On those issues which appear in the Big Scale and which divided the Tories, the Peelites were more likely to vote with the centrist Liberals than with the protectionists on their own side. The paradigm example of course is the Repeal of the Corn Laws itself. Other issues, especially factory reform, generated an alliance of Protectionists and Radical Reformers against the centre. The Railways vote fits neither pattern. The opposition to it cannot really be described as a coalition of 'right' and 'left' against the 'centre'; the five-way breakdown in table 1 shows that the Liberal votes do not fit this pattern.

TABLE 2   Variables significantly associated with the vote on the Second Reading of the Railways Bill, 11 July 1844

Variable name	Description	Degree of association (Spearman's ϱ)
ENCANWHT	Guttman scale on divisions ideologically related to Canada Wheat Bill, June 1843. Low value = 'left'	$-.491$
BIGSCALE	Guttman scale on 120 divisions between 1841 and 1847. Low value = 'left'	$-.396$
RAILWAY1	Had connection with railways	$-.310$
PEELITE	Whether a Conservative who voted with Peel to repeal the Corn Laws, May 1846	$.291$
BUSINT	Whether an active businessman	$-.267$
CONSTLOC	Location of seat: Ulster, rest of Ireland, southern England & Wales, Scotland, northern E & W	$.225$
CONTEST	Whether MP's election to the 1841 Parliament was contested	$-.221$
SOCINDEX	Whether landed and university-educated	$.213$
CONSUMM2	Type of seat: county, small borough, large borough	$.185$
SHIPPNG1	Had connection with shipping and navigation	$-.161$
FINANCE1	Had interests in finance	$-.125$
DOCKS1	Had interests in docks	$-.119$
GOVTOFF	Had held government office by 1847	$.117$

Note:
1. Variables shown are those found to have $p<.05$ on both Pearson chi-square and Spearman's ϱ.
2. *Interpreting the sign of the coefficients*: On all dichotomous variables, 'Yes' was coded as 1 and 'No' as 2. For multivalued variables the lowest code is for (the fullest) agreement with the description above or with the first of the descriptions given. Therefore, for example, a 'left' position on the Canada Wheat scale is significantly associated with a 'No' vote on the Railways Bill; voting with Peel on the Corn Laws is significantly associated with a 'Yes' vote.

What then could be the reasons for the pattern found? The Railways Bill votes were crosstabulated against each of the scales, and against a wide range of variables describing MPs' interests, constituencies and personal characteristics. Those which showed $p<.05$ on a Pearson chi-square test were retained for further analysis.

Table 2 lists the variables which were found to be related to MPs' votes. The following groups were found to be significantly more likely to vote for the Bill than their respective opposites: those who did *not* have a connection with business or finance, and specifically with the railway, shipping, or dock industries; those who held or had held government office (in either party); the landed upper class; those whose election had been uncontested; those whose constituency was either in southern England or in Ireland; those who sat for county seats (with small borough Members intermediate and large borough Members least favourable); and Peelites. Noteworthy variables which were found not to be significant at this stage included the number of voters per constituency (which might be a rough indication of the degree of electoral pressure on Members), whether or not an MP was a lawyer (despite Gladstone's attack on them while introducing the Bill), and MPs' personal wealth. The non-significance of constituency size tells against the hypothesis that MPs were influenced by constituency patrons. Rotten boroughs had small electorates.

However, many of these variables simply repeat the same information derived in different ways. In particular, Tories were more prone to support the Bill than Liberals, and Tories were more likely to sit for southern seats, for county seats, and to be members of the upper classes. So are all the associations reported in table 2 simply spurious?

No, because when one variable affects another through a third, intervening one, it is not obvious which association is truly spurious. Different types of constituency elected MPs of different parties, who then took different lines on the Bill. Is party merely an intervening variable which should be disregarded? On this matter British and American intellectual traditions diverge. The British tradition, despite Namier, is to regard party as fundamental and variables of the sort listed in table 2 as conveying no information that is not already conveyed by knowing an MP's party. The American tradition, influenced by the weakness of Congressional parties, is to regard party as not just an intervening variable but a transparent one: what matters is that country districts gave more support to the Railways Bill than city districts, not that this arose because the country voted for Tories and the cities voted for Liberals.

TABLE 3   Variables significantly associated with Railways Bill vote for MPs of at least one party after controlling for party

Variable name	Degree of association (ϱ) for Conservatives	Degree of association (ϱ) for Liberals
RAILWAY1	− .450	n.s.
CONSTLOC	.351	n.s.
BIGSCALE	n.s.	− .245
ENCANWHT	− .208	− .238
BUSINT	− .236	n.s.
GOVTOFF	.218	n.s.
PEELITE	.204	n.a.
CONTEST	− .164	n.s.
SOCINDEX	.157	n.s.

Note: For descriptions of variables, significance tests and interpretation of sign of coefficients, see legend to table 2. n.s. — not significant. n.a. — not applicable.

To try to discriminate between these approaches, we next control for the effects of party by examining the impact of these independent variables on vote within each party grouping (table 3). This shows that the 'railway interest' was indeed distinctive, and is the most marked predictor for a Conservative to fail to support the government. The same is true of Conservative businessmen in general. The other variables which remain significant fall into four groups. Constituency location (CONSTLOC), and probably MPs' closeness to the landed interest (SOCINDEX), reflect the regional distribution of support for the Bill: strongest in Ireland and in southern England, and weakest in northern England. PEELITE and the division between office-holders and the rest (GOVTOFF) show that the Bill appealed more to government-minded than to backbench MPs. The reasons are probably partly ideological and partly administrative. The scales show that attitudes to railway regulation remained associated with attitudes to other issues in ways which are not simply captured by party labels. The scales are indeed the only variables that remain significant for Liberals alone. Finally, CONTEST shows that Conservatives who had not faced an election were significantly more likely to support the Bill than those who had. Unfortunately we cannot tell whether constituencies with elections were more competitive (because the incumbent was forced to align himself with the median voter), or that constituencies without elections were more competitive (because the incumbent was already too well aligned on the median voter to dislodge – Aydelotte 1977, p. 240).

Tables 2 and 3 help to ensure continuity with previous discussions, which have used similar bivariate methods. However, the way to evaluate the relative weights of a large number of interconnected independent variables on a single variable is by multiple regression analysis. Conventional techniques cannot be used in this case, because the dependent variable, vote on the Railway Bill, is dichotomous. So we have fitted a logit model, where the dependent variable becomes the natural logarithm of the ratio of Yes to No votes. All the variables in table 2 were entered as independent variables in a logit model with DIV059 (the vote on the Second Reading of the Railway Bill) as dependent variable. Only five were significant, in the following order: ENCANWHT, RAILWAY1, CONTEST, PEELITE, and CONSTLOC.[1] The logit analysis thus tends to support the 'American' rather than the 'British' approach, since party disappears as significant predictor of vote. What is left is, in descending order of significance:

1) a tendency for those who favoured reduction in trade barriers to oppose railway regulation;
2) interest in the railway industry; – those with the interest opposed regulation;
3) whether or not the MP faced a contest in 1841 – those who had not were more favourable to regulation;
4) Conservatives who joined Peel in 1846 were more pro-regulation than other MPs;
5) MPs for rural areas were more pro-regulation than those from industrial areas.

Findings (2) and (5) are consistent with findings on the politics of railway regulation reported elsewhere (Noll 1990). People who dwell in the country are more

likely than those who live in cities to be confronted with railways' monopolistic behaviour. A city customer is much more likely than a rural one to have more than one railway to choose from. Hence, discriminating monopolist railways will offer more attractive fares and charges to people in towns. This was already happening in 1844, according to Gladstone's Select Committee.

Of our hypotheses, *hegemonic ideology* gets some support from the significance of the Guttman scale grouped round the Canada Wheat Bill (ENCANWHT) in the logit. But note that the railway vote did not align sufficiently with other votes to get on to any of Aydelotte's Guttman scales. *Party interest* is rather weakly confirmed by table 1, but party disappears as a significant explanatory variable in the logit analysis. *Wealth maximization* is confirmed by the behaviour of the 'railway interest', but not for other MPs as personal wealth was not a significant variable. *Constituency interest* is confirmed by the significance of location and rurality of seats. It is more controversial to assess how far MPs were motivated by *public interest* considerations. However, we interpret the strong showing of the variable PEELITE in these terms. Peelites, by definition, are those who would later support an action which they knew would destroy their own party and in many cases damage their chances of re-election. That action is hard to interpret except in perceived public interest terms.

CONCLUSION

Our test of seven hypotheses about the origins of regulation has shown that the best-supported is that both Gladstone and the MPs who voted on his bill were moved by their perceptions of the public interest. This conclusion is both old-fashioned and novel. Of the four schools reviewed, only positive political economy (PPE) is consistent with it. The contrast between PPE and public choice is instructive. PPE is both broader and weaker than public choice. Broader, because it encompasses the public choice hypotheses about political motivations and others besides; weaker, because it cannot predict which set of motives are dominant in any particular case. Ours is the sort of case in which standard public choice has been in trouble before. Faced with the apparently selfless, disinterested behaviour of a constitution-maker like James Madison, it can only suppose that Madison's utility maximand incorporated 'posthumous deference' (Buchanan and Vanberg 1989) – in plain language, that Madison did what he did because he wanted posterity to be grateful to him. It is a desperate strain on the ruthlessly rationalist assumptions of public choice to assume that people are moved by what they hope will happen after they die (even though it is probably true). Posterity is deferential to Gladstone and to Peel. But to write posthumous deference into their utility functions is to remove all predictability from them. It is more illuminating to return to an older rational-choice (and public administration) perspective and conclude that Gladstone rationally did what he thought best advanced the public interest. If normal politics is the politics of distributional coalitions, in which producer groups secure monopoly privileges from governments at the expense of consumers (c.f. Olson 1982), then the 1844 Act was not normal politics.

NOTE
In forward or stepwise models, these variables correctly predicted 85.0 per cent of pairs (gamma = 0.725). A backward regression logit model produced similar results but with a slightly poorer prediction (CONSTLOC failed to pass the 5 per cent significance threshold; 83 per cent of pairs correctly predicted). The independent variables were tested for intercollinearity with negative results (combined r^2 0.07).

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LOCAL GOVERNMENT STRUCTURE AND PERFOR-MANCE: LESSONS FROM AMERICA?

GEORGE A. BOYNE

The debate in the UK on the reform of local government structure is poorly informed by empirical evidence. This article bridges part of the empirical gap by drawing upon analyses of structural effects in the USA. Two main dimensions of structure are outlined: fragmentation and concentration, both of which can vary vertically and horizontally. Fourteen structural hypotheses are identified and categorized as technical, competitive and political effects. The empirical evidence from the USA suggests that fragmentation is associated with lower spending and concentration is associated with higher spending. The implications of the evidence for structural reform in the UK are analysed. It is concluded that the creation of a single-tier system may not lead to greater efficiency, and that the advantages of a two-tier system have been underestimated.

INTRODUCTION

Local government in the UK is on the verge of widespread structural reform. The government and the main opposition parties are committed to the replacement of the predominantly two-tier system with a structure of unitary authorities in most areas (Department of the Environment 1991; Scottish Office 1991; Welsh Office 1992). The case for structural reform is based on the supposed advantages of a single tier: for example better service co-ordination, clearer accountability, more streamlined decision making and greater efficiency. However, opponents of reform can find equally plausible arguments that the new structure will produce none of these benefits (Boyne 1992(a)). The problem in resolving these arguments is that neither side can call upon much British evidence to support its case.

The lack of substantial structural variability in British local government precludes a thorough geographical comparison of the costs and benefits of alternative structures. In addition, the spatial variations in structure that do exist tend to overlap closely with other variables that influence local authority performance. For example, London and the six major English metropolitan areas have not only a distinct structure but also distinct fiscal, socio-economic and political circumstances. Thus it is very difficult to disentangle structural effects from the effect of other variables.

George A. Boyne is Reader in Public Policy in Department of Business and Administrative Studies at the University of Glamorgan.

Similarly, in Scotland the three unitary authorities are all islands with small populations, while in Northern Ireland the single tier of local government has so few functions that a comparison with the two-tier system in the rest of the UK would be of limited value.

Nor can historical analysis of British local government shed much light on the performance of alternative structures. In principle, the efficiency of the old county boroughs might be compared with the two-tier system which replaced them in 1974. However, there have been so many changes in the finance, role, responsibilities and political setting of local government since 1974 that the unique influence of structural change is likely to defy detection.

Thus, in the absence of good British evidence on the consequences of alternative structures, the aim of this article is to fill part of the 'empirical gap' in the reform debate by drawing upon studies of structure and performance in the USA. The local government system in the USA displays tremendous structural diversity, both across and within states. It thereby provides a large 'natural laboratory' for tests of the practical effects of different structures.

Part I of the article outlines the various dimensions of local government structure that may be subject to reform. Part II analyses the conflicting theoretical arguments on the impact of structural change on local service provision. Part III provides a summary and critique of the results of empirical studies of structure and performance in the USA. Part IV considers the lessons of this evidence for the reform of local government in the UK.

I DIMENSIONS OF LOCAL GOVERNMENT STRUCTURE

The current debate on local government reform in the UK is concerned with the relative merits of two-tier and single-tier systems. However the number of tiers is only one dimension of the structure of a local government system. It is also important to consider the number of units at each tier, and the distribution of responsibilities both within and between tiers.

The term *fragmentation* may be used to refer to the number of separate units in a local government system. In a fragmented structure there are many units in a geographical area, either in absolute terms or standardized for population. By contrast, in a 'consolidated' structure there are few units and in the extreme only one unit that covers a whole area.

Another dimension of local government structure may be termed *concentration*, which relates to the distribution of responsibilities and revenues. In a concentrated system, most functions and funds are located in a small number of authorities rather than widely dispersed. This dimension of structure is analogous to 'market share' in an industry: regardless of the number of local government units (fragmentation), market shares may be evenly distributed or highly skewed towards a few units (concentration).

Finally, the concepts of fragmentation and concentration can be applied either to the *vertical* or the *horizontal* structure of a local government system. Vertical structure relates to the number of tiers (vertical fragmentation) and the division of responsibilities amongst them (vertical concentration). Horizontal structure relates

to the number of units within a tier (horizontal fragmentation) and the dispersal of market share across the units (horizontal concentration).

Any combination of these vertical and horizontal structures may co-exist in practice. For example, the current local government system in the English shires and Wales displays limited vertical fragmentation (only two tiers); substantial vertical concentration (the counties have a highly dominant market share of 85 per cent of net revenue spending and are responsible for most of the major functions); limited horizontal fragmentation (there are few units in relation to the population served, especially at county level) and substantial horizontal deconcentration (councils within each tier have the same formal responsibilities, and the market shares of counties within a region or of districts within a county are fairly evenly spread).

Thus, in principle, reform proposals may be directed at any or all of the dimensions of local government structure. However, as will be seen below, the complexity of local government structure is often overlooked in theoretical arguments about reform and in empirical tests of the consequences of different structures. This is important because some theoretical arguments are valid only for either vertical or horizontal structure while others apply only to fragmentation or concentration. In addition, the interpretation of empirical evidence depends on the measure of structure that is tested.

II THEORETICAL EFFECTS OF LOCAL GOVERNMENT STRUCTURES

In the USA there has been a long-running debate on the effects of different structures on the performance of local governments (see Ostrom 1972). Many of the empirical studies analysed in Part III below contain detailed twists and turns on the basic theoretical arguments. However, in general, structural hypotheses can be divided into three main categories: technical effects, competitive effects and political effects. These structural hypotheses concern the *responsiveness* of local authorities to public preferences and the *efficiency* with which resource inputs are transformed into service outputs. In other words, appropriate structures can help to ensure that councils produce the right services at the right price.

(a) Technical effects

(i) Economies of scale
This argument concerns the effect of horizontal fragmentation and suggests that mergers of small units will produce economies of scale. If economies of scale are present in local service provision, then consolidation should be associated with lower costs and greater efficiency. Cost savings may result from the removal of administrative duplication (Lomax 1952), from the 'pecuniary gain' of lower input prices as a result of greater purchasing power (Shepherd 1990) or from greater scope for the use of sophisticated technical equipment when the appropriate scale threshold is reached. If this last source of savings is the most important, then economies of scale are likely to be more strongly associated with capital-intensive than labour-intensive services (Hirsch 1968).

Thus fragmentation may be inefficient because of the inability of small units to capture scale economies. However it should also be noted that if average cost curves are 'U' shaped then very large consolidated units will be subject to diseconomies of scale. Higher costs may arise because of the problems of delivering services to remote areas or because of 'bureaucratic congestion'. In this case both low and high fragmentation will be associated with higher spending and the optimum structure for efficiency may be somewhere in the middle, depending on the mix of services to be provided. It is, therefore, difficult to predict the consequences of consolidation unless the positions of the existing and new structural arrangements on the average cost curve can be identified. A negative relationship between scale and unit costs can be predicted only if it is assumed that all authorities are on the downward sloping portion of the average cost curve.

(ii) Economies of scope

This argument concerns the effects of vertical fragmentation and concentration. The term 'economies of scope', or 'economies of joint supply', refers to the advantages of providing a range of services in a single organization. Grosskopf and Yaisawarng (1990, p. 61) argue that local governments may be analogous to multiproduct firms where

> economies of scope are said to exist if the cost of providing a diversified set of services is less than the cost of specialised firms providing those same services. . the traditional source of economies of scope is through the 'sharing' of some inputs in the production of related goods or services, where these shared inputs are also often fixed.

In the case of local government, such fixed inputs which can be shared include computing facilities, central administrative staff and decentralized area offices.

Vertical fragmentation may prevent the realization of economies of scope and lead to higher costs. If services are divided between several tiers of authorities then problems of co-ordination and administrative duplication may exist. Economies of scope may be maximized if closely related services are provided at the same tier in a local government system, and if all services share some common overheads then full economies of scope will be attainable only in a single tier system. However, even in a multi-tier system economies of scope may be gained if services are concentrated at one level rather than dispersed equally between levels. Therefore while the potential importance of economies of scope suggests that vertical fragmentation will lead to lower efficiency, it also suggests that vertical concentration will lead to higher efficiency.

(b) Competitive effects

(i) Inter-area competition

Competition between areas may be motivated either by a concern to promote the local tax base or by ruling parties' concern to retain office. In either case, a horizontally fragmented local government system will enhance the level of competition

which in turn will produce increased responsiveness and efficiency in local service provision.

If an area is covered by a single large consolidated local government unit, then policy makers need have little fear that residents will relocate as a response to poor performance. As the geographical size of an area increases, so does the average cost of 'fiscal migration' to alternative local government units. By contrast, in a highly fragmented system, local authorities must compete for mobile businesses and households and seek to stave off migration by potentially mobile residents in their own area. If electors are unhappy with the ratio of tax costs to service benefits then they can 'vote with their feet' in search of a better package (Tiebout 1956). Thus good performance is required in a fragmented system to protect the local area from a 'fiscal stress syndrome', which consists of mutually reinforcing fiscal and socio-economic problems (Boyne 1988).

In addition, horizontal fragmentation may spur competition between the political leaders of neighbouring jurisdictions. Politicians may believe that their chances of re-election will improve if their authority is perceived as performing better than other authorities. Salmon (1987, p. 32) argues that in a fragmented system local governments are likely to engage in 'tournaments' in order to impress their residents, and that such tournaments are 'an incentive to do better than governments in other jurisdictions in terms of levels and qualities of services, of levels of taxes or of more general economic and social indicators'. Thus, even in the absence of fiscal migration, horizontal fragmentation may be associated with greater efficiency.

(ii) Inter-tier competition

In a single tier local government system each unit has a spatial monopoly on the whole range of local government services and on the local tax base. This may lead to inefficiency, either because all organizations have a natural tendency towards laxity in the absence of competition, or because bureaucrats are motivated by budget maximization (Niskanen 1971). In addition, Brennan and Buchanan (1980) argue that the public sector is a 'Leviathan' which is inherently biased towards extracting money from taxpayers, but that competitive government structures can minimize such exploitation.

These arguments imply that vertical consolidation and concentration will be associated with higher service costs. By contrast, in a multi-tier system with widely dispersed service responsibilities, each unit must compete for a share of local tax revenues by convincing voters that 'value for money' is being provided. In addition, the various units in a multi-tier system may provide a check on each other by threatening to expose extravagance or inefficiency.

(iii) Barriers to entry

In the private sector 'barriers to entry' in an industry are a means by which existing firms can prevent new firms from penetrating their market. Consumers may then be denied the benefit of more efficient production techniques. Within any given local government structure barriers to entry may be reduced by rules on 'compulsory competitive tendering'. In the context of the reform of local government

structure, the concept of barriers to entry refers to rules against the establishment of new authorities within the territory of existing authorities. Thus, rather than the impact of *actual* structures, it concerns the impact of the *potential* for extending fragmentation and reducing the level of concentration. The possibility that new units may be established means that the market for local services is 'contestable'. By contrast, if there is no such competitive threat to the market share of existing authorities then a pressure towards efficiency is lost.

(c) Political effects

(i) Public scrutiny
As the levels of consolidation and concentration in the local government system rise, so the capacity of the public to monitor policy makers' behaviour falls.

If the structure of local government is vertically fragmented and functions are widely shared between tiers, then the public may be able to see a clear connection between taxes paid to a unit and the services it provides. Taxpayers can then allocate their money to secure maximum value. By contrast, in a single tier system authorities can practice 'full-line forcing': in other words, the public must pay a set price for a whole line of services, regardless of their preferences for the components of the package. In addition, in a horizontally consolidated and concentrated system there are few opportunities for electors to acquire information on the tax costs and service benefits in other areas. As Schneider (1989, p. 615) argues 'while perfect information never exists, the local costs of gathering information will vary directly with the number and range of alternative suppliers in the local market for public goods'.

Thus a more fragmented and less concentrated structure is likely to facilitate public scrutiny and control and thereby exert downward pressure on service costs. If such a structure is to secure greater accountability in practice then it may be necessary to ensure 'separate billing' by each unit, rather than a combined tax bill for all units in an area. Barnett *et al* (1991, p. 37) find some evidence that when 'ratepayers receive one rate bill determined by the expenditure decisions of at least two local authorities, there is a clear possibility that authorities responsible for a low proportion of the total rate bill have little incentive to control expenditure'.

(ii) Demands for spatially divisible services
This argument concerns the effect of horizontal fragmentation on public demands for services that benefit specific localities. Such 'divisible' goods include council housing and schools which primarily benefit residents within local boundaries rather than residents of neighbouring authorities or commuters.

In a consolidated system, services will be provided over a wide area that contains many local communities with varying preferences. Local residents may have little confidence that their neighbourhood will receive a fair share of services in return for taxes paid, or that the services provided will suit their specific needs. Thus consolidation will suppress the demand for public services. By contrast, in a fragmented system voters will demand more services and be prepared to pay higher

taxes, safe in the knowledge that the appropriate services will be provided. According to Baird and Langdon (1972) this positive effect of horizontal fragmentation on service provision is especially likely to occur under two circumstances. First, when preferences vary widely across local areas, and second when such services are financed by earmarked taxes which maximize public confidence that money will be allocated as intended.

An additional reason why fragmentation may lead to higher service demands is that there will be less pressure towards 'exit' from public provision to private suppliers. Thus Sjoquist (1982, p. 79) argues that

> In areas with a single jurisdiction, and hence no public sector alternatives, an individual who desires more of a government good may seek a private sector alternative, for example a private school. As the number of public sector options increases, that same individual may find a jurisdiction with a desirable level of the government good and hence give up the private sector alternative, thus increasing the level of public expenditures.

A contrary view is that the consolidation of small units will lead to higher demands for spatially divisible services because of log-rolling and 'pork-barrel' politics. Thus Giertz (1981, p. 121) argues that

> the tendency to promote projects of special interest at the expense of taxpayers in general would be most pronounced in a centralised system... (if) local issues are dealt with at the central level, local areas are likely to lobby very strongly for projects that would never be funded at the local level.

Thus the impact of horizontal fragmentation on demands for divisible services depends on the relative magnitude of the contradictory effects of public confidence in small units and log-rolling in large units.

(iii) Demands for spatially indivisible services

Services that are spatially indivisible provide benefits over a wide geographical area. In a horizontally fragmented system the provision of services such as public libraries by an urban authority has positive externalities for neighbouring communities. Thus fragmentation may restrain service provision below an 'optimal' level because 'suburban resources are not made available to help finance the public services... (and) there is no mechanism for including the preferences of suburbanities in the public sector decisions of central cities' (Cowing and Holtman 1976, p. 24). The higher the degree of fragmentation, the more boundaries there are between authorities and the more demand for spatially indivisible services is suppressed. As Adams (1965, p. 403) argues 'the balkanisation of a county area leads to an undervaluation of social benefits by each political unit because of benefit spillovers and thus to an underallocation of resources'. In addition, some services may hardly be provided at all unless small units are consolidated into a geographically large authority. For example, Gustley (1977, p. 353) argues that 'the existence of substantial benefit spillovers from air pollution control programmes usually results in minimal expenditures for this service under a fragmented system'.

(d) Summary

The theoretical implications of alternative local government structures are complex and contradictory. While technical effects suggest that consolidation and concentration will bring efficiency savings, competitive effects suggest the opposite. Political effects suggest that pressures towards efficiency will be lower in systems that are concentrated and consolidated. The impact of different structures on the level of service demands is also mixed: consolidation may either impair or improve the capacity of local authorities to respond to 'true' public preferences.

TABLE 1   The effect of structure on spending

Structural dimensions	Spending effects
VERTICAL FRAGMENTATION.	
Loss of economies of scope	higher
More inter-tier competition	lower
More public scrutiny	lower
VERTICAL CONCENTRATION.	
Gains from economies of scope	lower
Less public scrutiny	higher
HORIZONTAL FRAGMENTATION:	
Loss of economies of scale	higher
More potential for fiscal migration	lower
More inter-area tournaments	lower
More public scrutiny	lower
More public confidence in service benefits	higher
Less scope for log-rolling	lower
Less demand for indivisible services	lower
HORIZONTAL CONCENTRATION.	
Less public scrutiny	higher
BARRIERS TO ENTRY:	
Market not contestable	higher

All theoretical arguments on efficiency and responsiveness have implications for the level of local government spending. In table 1 these expenditure effects are summarized under the various dimensions of local government structure. In total there are 14 structural hypotheses, seven of which relate to horizontal fragmentation. The only unambiguous predictions are that barriers to entry and horizontal concentration will lead to higher spending. The two hypothetical effects of vertical concentration are directly contradictory. Both vertical and horizontal fragmentation are associated with a mix of positive and negative effects. Most of the hypotheses for these aspects of structure imply lower spending, but the theoretical arguments are silent on the specific magnitude of the expenditure effects.

Therefore it is impossible to predict a priori the net result of the contradictory

effects, and it is necessary to turn to empirical evidence to discover the consequences of structural variation in practice.

III EMPIRICAL TESTS OF STRUCTURAL EFFECTS

(a) Local government in the USA

There are over 83,000 units of local government in the USA (see table 2). This is an average of one unit per 2,700 people, with a range from one unit per 235 people in North Dakota to one unit per 45,700 people in Hawaii (Chicoine and Walzer 1985). Around 20,000 units in the USA perform only minor functions (Anton 1988) and are effectively similar to parish, town and community councils in the UK. Even discounting these units, the US figure is well below the English average of 115,000 people per local authority. Local governments in the USA spend almost 8 per cent of GNP, which is roughly 22 per cent of total public expenditure (Dye 1990). The distribution of local spending between multi-purpose and single-purpose local governments is shown in table 2.

TABLE 2   Local government in the USA

	number	% of total units	% of local spending
Counties	3,041	3.6	22.8
Municipalities	19,205	23.1	32.3
Townships and towns	16,691	20.1	3.5
School districts	14,741	17.7	36.4
Special districts	29.487	35.5	5.1

Sources: Chicoine and Walzer (1985); Dye (1990)

There are three types of multi-purpose local government units. First, counties which act on behalf of the state in the administration of justice and provide services such as fire, health and economic development. Second, municipalities which cover around two-thirds of the population and provide the whole range of local government services. Third, towns and townships which generally provide a narrower range of services including roads, bridges, sewerage and water. The two types of single-purpose local governments are school districts which provide only education, and special districts which provide any one of a large number of services. The most common special district functions are fire, water supply, housing and urban renewal, drainage, sewerage and cemeteries. Both multi-purpose and single-purpose units are elected and have tax raising powers, although the latter may be circumscribed by the state unless 'home rule' has been granted.

Under the US constitution each state has the power to establish and alter its own local government system. Thus local governments are formally subordinate to the state government in much the same way that local authorities are legally subordinate to central government in the UK. However, this does not mean that there is a uniform local government system in each state. Local government structures vary not only across counties within a state but also from one part of

a county to another. In different areas a service may be provided at different geographical scales and by multi-purpose or single-purpose governments. Some county residents live in a township while others live in a municipality; other residents live in an area covered by both a township and a municipality, although the two jurisdictions may not be coterminous. In some areas education is provided by a school district while in other areas education is part of the portfolio of a multi-purpose unit; some residents receive services from a variety of special districts while other residents are served by a consolidated governmental unit. In addition to this geographical variety, the structural pattern changes year by year as some units merge or are annexed by their neighbours and as new units are established through local referenda (Anton 1988).

The American local government system may be viewed as a very complex jigsaw. However it is better described as a kaleidoscope, with overlapping units of varying sizes and functional responsibilities. The peak of this complexity is reached in the urban 'Standard Metropolitan Statistical Areas' (SMSAs). Chicoine and Walzer (1985, p. 25) note that 'a typical metropolitan area has 85 units of government, including 2 counties, 13 townships, 21 municipalities, 18 school districts and 31 special districts'. This awesome institutional variety reflects a history of local choice and experiment in the design of local government structures. It is to the results of these experiments that we now turn.

(b) The empirical evidence

The theoretical arguments summarized in Part II above concern the impact of local government structure on public *demands* and the *efficiency* of service provision. However, empirical studies of structural effects in the USA have concentrated not on demands or efficiency but on *spending*. This adds further complexity to the interpretation of structural effects that are already plagued by theoretical ambiguity. Higher demands should lead to higher spending and greater efficiency should lead to lower spending, but neither structural effect is measured directly in the empirical studies. However, when estimating structural effects most studies control for various demand proxies such as local incomes and demographic characteristics. Thus it may be argued that structural variables reflect only efficiency effects and not demand effects.

The absence of a direct focus on efficiency, in the strict sense of the ratio of inputs to outputs, reflects the difficulty of defining and measuring this concept in the context of local services. The main problems concern the identification of unit costs and the measurement of comparable units of service quantity and quality across local government areas (see Whynes 1987; Barrow 1990). Inferences on efficiency can be drawn directly from evidence on expenditure only if it is assumed that variations in output quantity and quality are not related to variations in spending. There is substantial evidence that the relationship between service outputs and spending levels is generally weak (for example, Sharkansky 1967; Hinkley and Marquette 1983). Thus the inferential gap between structural effects on spending and structural effects on efficiency may be tolerably small, particularly when account is taken of the effect of other expenditure 'determinants'. A multitude of

studies in the US and UK have established that local spending decisions are influenced by variables such as service needs, local resources, inter-governmental grants and local political ideology. Thus it is important to take account of such variables when estimating structural effects. All of the studies summarized below control for at least some of these other influences on spending. Results derived from bivariate analyses are omitted because they are not only methodologically crude but also likely to be substantively misleading.

The results of the empirical analyses of structural variations are summarized in tables 3 to 9. Where studies present results for different services or time periods the general pattern of the evidence is indicated in the tables. Most of the empirical analyses are cross-sectional and estimate the statistical relationship between variations in structure and variations in spending per capita, or per client, or spending as a percentage of local incomes. The analyses are usually conducted across states, SMSAs or counties within a state. The dependent variables are either spending by all local units within an area (for example, a state or a county) or spending by individual units (for example, municipalities or special districts).

Three caveats concerning the studies should be noted before turning to the detailed evidence. First, the empirical analyses are prone to a number of methodological problems that are common in cross-sectional studies of expenditure variation (Boyne 1985). However, the effect of the structural variables is sufficiently consistent to warrant reasonable confidence in the statistical results. Second, it is important to remember that the empirical evidence relates not to individual structural hypotheses but to the net effect of a dimension of structure on spending. Thus a positive or negative relationship between structure and expenditure neither directly supports nor undermines any single structural hypothesis. Similarly, an insignificant result does not suggest that all the structural hypotheses are invalid: the positive and negative effects of a dimension of structure may simply be cancelling out. Nevertheless, the evidence does indicate the *net* effect of structure on spending, even if it may be difficult to trace the sources of this net effect. Third, all the studies reflect the 'mainstream' model of industrial economics which assumes that structure determines performance, rather than vice-versa (Shepherd 1990). If this assumption is invalid then the evidence may overstate structural effects.

(i) Horizontal fragmentation
The results of analyses of this dimension of structure are summarized in table 3. The most common measures of horizontal fragmentation are the absolute number of units in a tier of local government and the number of units per capita. Of the 20 tests conducted, 11 indicate that the relationship between horizontal fragmentation and spending is negative, 5 indicate that it is positive and 3 indicate that it is insignificant. The remaining two tests by Zax (1988) suggest that the relationship is non-linear.

The variation in the evidence across studies largely reflects the type of local government units that are analysed. Results for multi-purpose governments generally show a negative relationship between fragmentation and spending. This may indicate greater efficiency because, as Martin and Wagner (1978, p. 411) argue,

TABLE 3 Results of tests of horizontal fragmentation

Study	Dependent variable and local government units	Measure of horizontal fragmentation	Effect of fragmentation on spending
Baird and Langdon 1972	Spending by school districts and municipalities in the central county of 89 SMSAs	(a) School Districts per county	Higher
		(b) Municipalities per county	Insignificant
Wagner and Weber 1975	Spending by all units in 164 counties in 16 southern states	Absolute number of municipalities	Lower
Mehay 1981	Spending by 159 cities in California	Extent of annexation of neighbouring areas.	Lower
Chicoine and Walzer 1985	Spending by school districts and special districts in 101 Illinois counties.	(a) School Districts per capita	Higher
		(b) Library Districts per capita	Higher
		(c) Park Districts per capita	Insignificant
Nelson 1986	Combined taxes of state and localities, 49 states	Counties per capita	Lower
Schneider 1986	Spending by 747 suburban municipalities in 46 SMSAs	Suburban municipalities per capita in the SMSA	Lower
Bell 1988	Total education spending per pupil, 48 states.	School districts per square mile	Lower
Forbes and Zampelli 1989	Taxing and spending by 345 counties in 157 SMSAs	Absolute number of counties in the SMSA	Higher
Zax 1988	(a) Ratio of spending to income, all units in 3129 counties	(a) Absolute number of school districts	Insignificant
		(b) School districts per capita.	Higher
		(c) School districts per $m. of spending.	Lower
	(b) Spending by municipalities in 3129 counties	(a) Absolute number of cities per county.	Lower
		(b) Cities per capita in each county.	Non-Linear: Higher, Lower
		(c) Cities per $m. of spending in each county.	Non-Linear: Lower, Higher

Schneider 1989	Spending by 839 suburban municipalities in 39 SMSAs.	(a) Absolute number of suburban municipalities in the SMSA	Lower
		(b) Number of other municipalities bordering the municipality.	Lower
		(c) Dispersion of tax prices across suburban municipalities.	Lower
Eberts and Gronberg 1990	Ratio of municipality spending to income, 218 SMSAs.	Municipalities per capita in the SMSA.	Lower

TABLE 4 Results of tests of vertical fragmentation

Study	Dependent variable and local government units	Measure of vertical fragmentation	Effect of fragmentation on spending
Wagner and Weber 1975	Spending by all units in 164 counties in 16 southern states.	Whether education provided by the municipality or a school district.	Higher in small counties. Lower in large counties.
Mehay 1984	Spending by 300 fire agencies and 82 park agencies in California.	Whether fire and park services are provided by independent districts.	Lower

state governments generally permit the creation of new municipalities 'only if the provision of public services in the proposed city would equal or exceed that which is being provided by the county. To reduce the provision of public services is not generally considered an appropriate ground for incorporation'. Studies which do not find a negative relationship between spending and the fragmentation of multi-purpose units tend to display methodological problems. For example, Baird and Langdon (1972) find that the number of municipalities per county is not related to spending, but the evidence is suspect because the analysis omits the effect of cross-county competition in a SMSA (Sjoquist 1982). Similarly, Zax finds that the effect on spending of jurisdictions per county is non-linear: spending is minimized at 290 jurisdictions but then grows. However only five counties in the USA contain more than 290 jurisdictions, so the impact of fragmentation is negative across virtually the whole range of existing structures.

The results for single-purpose units of local government show little sign that horizontal fragmentation reduces spending. For example, Chicoine and Walzer (1985) find that the number of independent special districts is associated with higher library district spending and has no significant effect on park district spending. Zax (1988) finds three different results using three different measures of school district fragmentation (see table 3).

There are at least two reasons why horizontal fragmentation reduces the spending of multi-purpose units but not single-purpose units. First, the services provided by special districts may be more capital intensive than those provided by multi-purpose units, and therefore horizontal fragmentation may be associated with the loss of economies of scale. This would not explain however, why spending on the labour intensive services provided by school districts generally shows either a positive or insignificant relationship with fragmentation. Second, fiscal migration may occur across multi-purpose units but not single-purpose units. A move across the boundaries of a special district or school district may yield an improvement in only one service, which may be insufficient to trigger fiscal migration. Thus it is possible that single-purpose units are immune from the threat of relocation by households and businesses, and that they are therefore less susceptible than multi-purpose units to the competitive pressures of fragmentation.

(ii) Vertical fragmentation
There is little empirical evidence on the consequences of this aspect of structure (see table 4). An 'ideal' test of vertical fragmentation would examine the effect of variations in the number of local government tiers. The two empirical studies of vertical fragmentation provide only a 'partial' test because they focus on the separate provision of specific services rather than the whole range of services in an area. Wagner and Weber (1975) suggest that the provision of education by separate school boards is associated with lower spending in large counties but higher spending in small counties. They argue that in small counties economies of scope are sacrificed if education is provided separately, but that in large counties the loss of economies of scope is outweighed by the gain from greater public scrutiny. Mehay (1984) finds that vertical fragmentation is associated with lower spending

on fire and parks services. He argues that greater efficiency in independent special districts results from greater public scrutiny. By contrast 'considerably more bureaucratic discretion is exercised by managers of districts that are adjuncts of large, general purpose governments' (Mehay 1984, p. 346).

(iii) General fragmentation

Many tests of structural effects combine the horizontal and vertical dimensions of fragmentation by measuring the total number of local government units in a county, SMSA or state. Other studies measure the total number of either multi-purpose or single-purpose governments. The results of these studies are especially difficult to interpret because the net effect of general fragmentation is the sum of horizontal and vertical effects.

Table 5 shows that the 25 tests of the relationship between general fragmentation and spending produce mixed results: 7 show a negative effect, 6 a positive effect, 9 are insignificant and 3 are non-linear. However, as in the case of horizontal fragmentation, the results are strongly linked to the type of units analysed. Thus the majority of tests of the fragmentation of multi-purpose units find a negative relationship with spending; all the tests of the fragmentation of special districts find a positive or insignificant relationship with spending; and the 12 tests which examine the fragmentation of all types of local units are equally divided between positive, negative, insignificant and non-linear results. The underlying pattern in the evidence can be seen most clearly in studies which examine the fragmentation of both multi-purpose and single-purpose units (for example, Nelson 1987; Eberts and Gronberg 1988).

Another pattern in the evidence is that 6 of the 7 studies which conduct tests of fragmentation at the state level find that the effect on spending is insignificant (see table 5). This raises the interesting but neglected issue of the definition of a geographical 'market' in local services. Zax (1989, p. 561) argues that 'citizens who are dissatisfied with local public services are typically unwilling to change their jobs and social circles in order to change their service consumption. The mobility which disciplines monopolizing local public officials will therefore occur largely among nearby communities'. Thus the competitive forces associated with fragmentation may be strong at the county and SMSA levels but weak over an area as wide as a state.

(iv) Horizontal concentration

There is little discussion of the appropriate measurement of 'concentration' in the empirical studies. Most analyses focus on the distribution of spending and revenues, but other measures of market share include population, land area and housing stock (see Fischel 1981).

The theoretical effect of horizontal concentration is less public scrutiny of local government performance and therefore less efficiency and higher spending. Only two studies have tested this hypothesis (see table 6) and the only significant result suggests that horizontal fragmentation is associated with lower spending. However this evidence relates to the effect of central city population on spending by suburban

TABLE 5 Results of tests of general fragmentation

Study	Dependent variable and local government units	Measure of general fragmentation	Effect of general fragmentation on spending
Adams 1965	Spending by all units in 478 counties in 45 states.	Absolute number of municipalities and townships per county	Lower
Baird and Langdon 1972	Taxes of all units in the central county of 89 SMSAs	Absolute number of units per county	Higher
Isserman 1976	Spending by all units in 21 New Jersey counties.	Absolute number of units per county	Lower
Sjoquist 1982	Spending by 47 central cities in southern SMSAs.	Absolute number of units in the SMSA	Lower
Chicoine and Walzer 1985	Spending by all units in 101 Illinois counties.	Units per capita in each county	Higher
Oates 1985	Combined spending of state and localities, 50 states.	Absolute number of units per state	Insignificant
Nelson 1986	Combined taxes of states and localities, 49 states.	Special districts per capita	Insignificant
Nelson 1987	Spending by all units, 50 states.	(a) Multi-purpose units per capita (b) Special districts per capita	Lower Insignificant
Eberts and Gronberg 1988	Spending by all units in 2,900 counties in 280 SMSAs in 50 states	(a) Multi-purpose units: absolute number, number per capita, per square mile. (b) single-purpose units: absolute number, number per capita, per square mile	Insignificant at state level, Lower at SMSA, county level Insignificant at state level Higher at SMSA, county level
Zax 1988	Ratio of spending to income, all units in 3129 counties.	(a) Absolute number of units. (b) Units per $m. spending. (c) Units per square mile. (d) Units per capita	Non-Linear: lower, higher Non-Linear: lower, higher Insignificant Non-Linear: higher, lower
Zax 1989	Ratio of revenues to income, all units in 3,022 counties.	(a) Units per capita: multi-purpose, special purpose. (b) Units per square mile multi-purpose, special purpose.	Higher Insignificant
Dolan 1990	'Cost' of all units in 102 Illinois counties.	(a) Absolute number of units. (b) Units per capita.	Higher Lower
Eberts and Gronberg 1990	Ratio of spending to income, all units in 218 SMSAs.	Non-municipal units per capita.	Insignificant
Joulfaian and Marlow 1991	Combined state and local spending.	Absolute number of units.	Insignificant

TABLE 6 Results of tests of horizontal concentration

Study	Dependent variable and local government units	Measure of horizontal concentration	Effect of concentration on spending
Schneider 1989	Spending by 839 suburban municipalities in 39 SMSAs.	Coefficient of variation of suburban municipality spending in each SMSA	Insignificant
Eberts and Gronberg 1990	Ratio of municipality spending to income, 218 SMSAs.	(a) Largest four suburbs' share of total population. (b) Central city share of SMSA population.	Insignificant Lower

TABLE 7 Results of tests of vertical concentration

Study	Dependent variable and local government units	Measure of vertical concentration	Effect of concentration on spending
Gustley 1977	Spending by 25 municipalities in Florida.	Extent of service transfers to metro-wide unit.	Higher
Giertz 1981	Combined spending of state and localities, 50 states	State share of state-local taxes and spending.	Higher
Oates 1985	Combined spending of state and localities, 50 states.	State share of state-local revenues and spending.	Insignificant
Nelson 1986	Combined taxes of state and localities, 49 states.	State share of state-local taxes.	Lower
Wallis and Oates 1988	Combined tax and spending of state and localities, various samples.	State share of state-local revenues and spending.	Higher
Forbes and Zampelli 1989	Taxes and spending by 345 counties in 157 SMSAs.	State share of state-local revenues and taxes.	Lower
Zax 1989	Ratio of revenues to income, all units in 3022 counties.	County share of total local government revenues.	Higher
Joulfaian and Marlow 1991	Combined spending of state and localities, 50 states	(a) State share of state-local spending. (b) State-local share of federal, state and local spending.	Insignificant Higher

municipalities. Thus the result probably reflects the savings to suburbs from central city service provision, and does not imply that horizontal concentration is associated with lower spending across all local units in a SMSA.

The small number of tests imposes great constraints on the conclusion that can be drawn, but it seems that horizontal concentration has little net effect on spending. The explanation may simply be that while horizontal concentration makes public scrutiny of units with large market shares more difficult, this effect is offset by easier scrutiny of units with small market shares.

(v) Vertical concentration
A 'pure' measure of vertical concentration would consider the distribution of the share of total local services among the tiers which cover a given geographical area. However this measure is virtually impossible to apply in the USA because the various layers of local government are not geographically coterminous. Therefore it is difficult to isolate the vertical concentration effects of scope economies and problems of public scrutiny.

Most studies of vertical concentration analyse the relationship between the state's share of the state-local market and the combined spending of state and local units. These empirical studies thereby conflate vertical concentration effects with economies of scale, and with disincentives towards fiscal migration which arise from the high market share of the geographically large upper tier. Even the studies that focus on the county share of the local market suffer from the same problem: counties are larger than their constituent local units, and therefore a measure of vertical concentration picks up pressures towards lower spending (economies of scope and scale) and higher spending (scrutiny problems and disincentives to fiscal migration).

The empirical results in table 7 suggest that vertical concentration is associated with higher spending: 5 of the 9 tests indicate a positive relationship between concentration and expenditure and only 2 tests indicate a negative relationship. In addition, Forbes and Zampelli's (1989) evidence that state market share has a negative effect on county spending may be discounted. If the expenditures of the two levels of government are substitutes then there is an inherent negative relationship between the measure of concentration and spending.

(vi) General concentration
Studies which measure general concentration focus on the distribution of market share across all units in a local government system. The three empirical tests of the effect of this aspect of structure analyse fiscal concentration within counties (see table 8). As noted above, horizontal concentration may have little net effect on local spending. Thus the impact of general concentration should reflect the vertical effects of gains from economies of scope and losses from lower public scrutiny. The tests of general concentration take all units into account, unlike the tests of vertical concentration which focus on the market share of the top tier. Thus the evidence on general concentration may not be contaminated by the effects of scale and fiscal migration.

TABLE 8 Results of tests of general concentration

Study	Dependent variable and local government units	Measure of general concentration	Effect of concentration on spending
DiLorenzo 1983	Taxes and spending of all units in 65 counties.	4 largest units' share of taxes and spending.	Higher
Chicoine and Walzer 1985	Spending by all units in 101 Illinois counties.	Fiscal concentration across all units.	Lower
Dolan 1990	'Cost' of all units in 102 Illinois counties.	Standard deviation of spending across all units.	Lower

TABLE 9 Results of tests of barriers to entry

Study	Dependent variable and local government units	Measure of barriers to entry	Effect of barriers on spending
Martin and Wagner 1978	Spending by all units in counties in 4 states.	Barriers against new municipalities	Higher
DiLorenzo 1981	Spending by all units in counties in 5 states.	Barriers against new special districts	Higher

The results of two of the three studies suggest that vertical concentration is associated with lower spending, and therefore imply that scope effects outweigh scrutiny effects. However, Dolan's measure of the dispersion of market shares, the standard deviation of expenditures, is tautologically correlated with the level of expenditure (see Boyne 1992b). Thus the remaining valid evidence is equally balanced between positive and negative effects.

(vii) Barriers to entry

The small amount of empirical evidence on the effect of barriers to entry supports the hypothesis that an 'uncontestable' local government market is associated with higher spending. There are two explanations for this effect. First, the absence of a competitive threat from potential new units may reduce the efficiency pressures on existing units. Second, the actual formation of new units may reduce costs because of the increase in horizontal fragmentation. However, the fragmentation of only multi-purpose units is associated with lower spending, while barriers to entry influence spending by both multi-purpose and single-purpose units (see table 9). Therefore it may be concluded that it is the effect of barriers to entry on the behaviour of existing units which explains the positive relationship with spending.

(viii) Summary

Four main points emerge from evidence on the effect of variations in local government structure in the USA. First, the horizontal fragmentation of multi-purpose governments leads to lower spending. Second, local government units compete in a market which is geographically limited: competition between units is present at a relatively small spatial scale but not across wide areas. Third, the vertical concentration of market share in large 'top tier' units is associated with higher spending. And finally, the establishment of barriers to entry is positively related to expenditures by the local government units that are protected by the barriers.

In sum, the broad pattern of the evidence suggests that lower spending is a feature of fragmented and deconcentrated local government systems. By contrast, consolidated and concentrated structures tend to be associated with higher spending. This implies that the technical benefits of large units with big market shares, such as economies of scale and scope, are outweighed by competitive and political costs, such as disincentives towards fiscal migration and problems of public scrutiny.

IV IMPLICATIONS FOR LOCAL GOVERNMENT REFORM IN THE UK

In this section the government's proposals for the reform of British local government are analysed in the light of the evidence on structure and performance in the USA. The specific magnitude of the expenditure effects of different structures is unlikely to transfer directly across the two political systems. However, as Rose (1991, p. 21) notes, in 'lesson drawing' across nations 'details of foreign practice can distract attention from essentials, and confuse what is generic and potentially transferrable from what is specific to time and place'. Thus in applying the American evidence to the British context it is simply necessary to assume that the general direction

of structural effects is likely to be similar. This assumption may be justified on the basis that local policy makers in the UK and US face increasingly similar circumstances (Hambleton 1990).

There is already a single tier of elected local government in London and the six metropolitan areas in England. The current proposals for reform seek to extend this system of unitary authorities to the rest of England, Wales and the Scottish mainland. Thus the 'base-line' for evaluating the proposed unitary structure is the existing two-tier structure in these areas.

(a) Vertical effects of unitary authorities

A single tier of authorities, consisting of either the current counties or districts, would remove the vertical fragmentation in the existing system and produce complete vertical concentration. In theory, this structural change should yield efficiency gains from economies of scope, but losses from the absence of inter-tier competition and problems of public scrutiny. On the basis of the American evidence, the effect of economies of scope is outweighed by the competitive and political effects. Thus it may be concluded that the vertical consolidation and concentration of all functions in a single tier of councils is likely to impair the technical efficiency of the local government system.

(b) Horizontal effects of unitary authorities based on county boundaries

The transfer of district functions to counties would substantially reduce the extent of horizontal fragmentation in the structure of local government and the provision of local services. The hypothetical effects of this structural change are an increase in efficiency because of economies of scale, but a decrease in efficiency because of less potential for fiscal migration, fewer inter-area tournaments and less effective public scrutiny. Analyses of structural effects in the USA suggest that any benefits from economies of scale are more than offset by competitive and political costs.

The supposed importance of economies of scale was a major technical argument in favour of local government reorganization in the 1970s (Dearlove 1979). However the 'evidence' in support of economies of scale in the pre-1974 local government system is at best inconclusive (Newton 1982). The arguments for economies of scale in the 1990s are even less persuasive. First, the 'enabling' role of local authorities implies that services can be purchased from suppliers operating at minimum efficient scale, regardless of the scale of an authority itself. Second, economies of scale are most likely to be realized in the bulk production of standardized services, which is inappropriate in a 'post-fordist' local government culture that emphasizes differentiated products (Stoker 1989). Thus, in the absence of savings from economies of scale, it may be concluded that unitary authorities based on county boundaries will lead to lower efficiency.

(c) Horizontal effects of unitary authorities based on district boundaries

Under this option, all county functions would be transferred to existing districts, thereby increasing the horizontal fragmentation of the provision of county services. If the main role of councils is to 'enable' the provision of differentiated products,

then it may be assumed that this will result in little loss of economies of scale, especially in labour intensive services such as education. By contrast, the provision of these services at a smaller spatial scale may result in greater competitive pressures from fiscal migration. While geographical mobility is less marked in the UK than the US, there is evidence that local policies influence the movement of both businesses and population across local authority boundaries (see Cuthbertson *et al* 1982; Gripaios and Brooks 1982). In addition, efficiency gains may result from inter-area tournaments and from easier public scrutiny of the relative efficiency of neighbouring councils. In recent years central government has increased both of these competitive pressures by exhorting local authorities to publish annual reports on their performance (Boyne and Law 1991).

(d) One tier or two tiers?
The implication of the American evidence is that greater efficiency would be secured by a unitary system based on districts rather than counties. However the relative merits of a structure of unitary districts and the existing two-tier structure is less easily evaluated. A system of unitary districts would produce benefits from the horizontal fragmentation of county services, but each local government unit would monopolize the local tax base and the whole range of service provision. The two-tier system is subject to internal competitive pressures and sharper public scrutiny, but there is little horizontal fragmentation in the provision of major services at the county level. Thus the relative efficiency of the two systems depends on the relative size of the effects of horizontal and vertical structure. The empirical evidence is not sufficiently sophisticated to permit such an evaluation even for American local government, let alone to permit the application of the estimates to the British context. However, it may be possible to obtain the 'best of both worlds' by devolving some of the current county functions to the districts. This would increase the horizontal fragmentation of service provision, reduce the counties' market share and retain the benefits of vertical fragmentation.

Finally, it must be remembered that the creation of unitary authorities is likely to influence service demands as well as service efficiency. If the services provided by districts are spatially divisible, then the transfer of these services to the county level may suppress public demand unless log-rolling occurs. Similarly, if the services provided by counties are spatially indivisible, then the fragmentation of these services may reduce demand for them. Thus the impact of structural change on the demand for services depends on the 'fit' between district and county boundaries and the geographical constituencies for divisible and indivisible services respectively. This is an issue which urgently requires empirical investigation. However, if the fit is already close, then a unitary structure based on either the counties or the districts is likely to reduce the responsiveness of the local government system to public demands.

CONCLUSION

The relationship between local government structure and performance is theoretically and empirically complex. Local government structure itself is multi-dimensional:

fragmentation and concentration may vary both vertically and horizontally. A structural change on any of these dimensions has a number of theoretical effects and the net outcome is not precisely predictable a priori. However, the empirical evidence from the USA suggests that local government systems which are fragmented and deconcentrated are generally associated with lower spending and greater efficiency.

There is a large academic literature on local government reform in the UK, but almost all of it is concerned with the political and administrative processes of reorganization. Hardly anything is known about the consequences of structural change. This problem is not unique to studies of local government reform in the UK. For example, a recent comparative study of local government reorganization in Western nations by Dente and Kjellberg (1988) virtually ignores structural effects. Nor is the problem unique to studies of local government reorganization. As Salamon (1981, p. 474) comments on studies of central government reform, 'serious empirical work on the real effects of reorganisation is not only deficient; it is non-existent' (see also March and Olson 1983).

The empirical vacuum surrounding local government reorganization in the UK means that structures must stand and fall on the shifting sands of the 'administrative logic' espoused by central government. However, it may be possible to find some structural stability by appealing to evidence from nations with substantial structural diversity. On the basis of the evidence from the USA, the lesson is that the introduction of a single-tier system is at best a leap in the dark. And at worst, it is likely to produce a less efficient local government system which will be prone to further structural reform.

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PRIVATISM AND PARTNERSHIP IN URBAN RE-GENERATION

JOHN EDWARDS AND NICHOLAS DEAKIN

In 1988, inner city policy took on a distinctly new style. The publication that year of the government brochure *Action for Cities* heralded the introduction of the 'enterprise culture' as the new instrument for the economic regeneration of the inner cities, the re-moralization into self-reliance of their inhabitants, and the defeat of welfare dependency. Simultaneously, the job of regeneration would be placed more firmly in the hands of Urban Development Corporations that would do the job that inefficient and ineffective local government had so signally failed to achieve. The dynamism of privatism would be harnessed by means of public subsidy to attract (or lever) private investment into the inner cities. The rationale of privatism as a means of abolishing urban deprivation however, rests on untested logic. At its simplest, new jobs would be created by inward investment, unemployment would fall, and there would be 'trickle-down' effects to those not in the labour force. There are other and more fundamental assumptions however, the contestable nature of which throws doubt on the possibility of the privatism strategy ever working. Principal among these are that there are discrete and insulated 'inner city economies' that *can* be regenerated; that it is even now possible to reverse history in the inner cities, and that to be of benefit to inner city residents, investment must be *in* the inner cities themselves.

New departures in inner city policy have come to be regular events; but the one that took place on the morning after the 1987 General Election did exhibit certain special characteristics. The external manifestations have already passed into legend: the newly victorious Prime Minister's exhortation to the faithful that 'we must do something about those inner cities', her 'walk in the wilderness' on Teeside, as a personal gesture of confidence that even the most derelict urban site could be restored to blooming commercial health.

But the superficiality of the gestures should not be allowed to distract us from the important differences in substance between the new wave of initiatives launched in their wake and those that preceded them. There was to be, as it turned out, a different quality to subsequent policy and one that requires a fresh look at the logic of inner city strategies and at their potential for achieving renewal (and what kind of renewal) and at what cost. This article attempts to set the post-1987 developments in their immediately preceding context and analyses the flavour and

John Edwards is Reader in Social Policy at the Royal Holloway and Bedford New College and Nicholas Deakin is Professor of Social Policy and Administration, University of Birmingham.

content of their first exposition in 1988 in *Action for Cities*, the parent of a number of glossy government brochures which are themselves reflective of the new spirit. It then looks at some of the assumptions behind and prerequisites of the new strategy which we have called 'privatism'. In essence, the strategy rests upon the assumption that publicly subsidized economic regeneration will produce material side effects and a new self-confidence for inner city residents. The logic of the strategy, however, rests upon some very contestable assumptions about the discreteness and self-containedness of inner cities and their alleged economies. These assumptions are contested in the latter part of the article.

THE PRECURSORS TO PRIVATISM

The distinctive characteristic of the new approach was that it took physical spaces, arbitrarily defined as the 'inner cities' and introduced into them not just a set of policy devices – many of which had in fact been honed over the previous decade – but a series of potentially transforming values. These values are summed up in the phrase 'the enterprise culture'. Their significance in this context was twofold: first, their adoption would extend to the inner cities the material benefits which – it was asserted – had flowed for the rest of the British population from their general introduction; and, second, they offered the prospect of 'remoralization' of its inhabitants. This term had cropped up with increasing frequency in the writings of the New Right, whose influence at the beginning of the Conservative government's third term had reached new heights. Like so much of the British New Right's analysis the concept had been taken over from the American literature. When applied to the British scene, it signified that the prevalence of dependency, which was taken to be a leading characteristic of inner cities in an over-indulgent welfare state was not simply a matter of the absence of enterprise, but stemmed from a deeper failure to assimilate some (if not all) of the set of beliefs that are required for the effective functioning of a modern industrial society: the work ethic, abiding by the law, taking responsibility for bringing up children properly. The mission set out in Mrs Thatcher's initial statements and elaborated in subsequent speeches and official publications was therefore a matter not just of physical but of moral regeneration, to be achieved through occupying and transforming the 'inner cities' and thereby reuniting them and their inhabitants to the wider society.

The means to be employed to achieve this end were not invented overnight but had been evolved over the period after 1977, when Peter Shore's White Paper *Policy for the Inner Cities* (Department of the Environment 1977) first signalled the move away from welfare based policies to those premised on economic regeneration. This policy shift – a cautious one at first, based on the assumption that the principal means of implementation would be partnership within the state sector, between local and central government – was developed and the direction of the activity modified during Michael Heseltine's first term as Secretary of State for the Environment (1979–83). The crumpled envelope on which he had inscribed his priorities on taking office has been piously preserved; the inner cities figure among them, though not high on the list.

It was clear to Heseltine from the outset that the main motive force for urban

regeneration would be the market and the means to achieve it would be through the activities of private sector agencies; urban development corporations super-imposed on the main areas of opportunity were to be the key device for focusing these efforts and the London and Liverpool docks the sites for the first initiatives.

The 'disturbances' that broke out in a number of inner city areas, in particular Brixton and Toxteth, in the summer of 1981, acted as a considerable stimulus to Heseltine's thinking, as his subsequent account (*Where There's a Will*) makes clear (Heseltine 1987). His cabinet paper, with proposals for drastic new interventions was entitled 'It took a riot'. Most of these detailed proposals were rejected, ostensibly on grounds of cost; but Heseltine was not deterred from developing a set of new initiatives that stemmed from the initial premise about the central role of the private sector: Urban Regeneration Grant (taken over from the experience in the United States); a set of specific activities on Merseyside, where prominent private sector institutions were persuaded to second staff and consider new investment; and the creation of a mixed private-public sector advisory group within his own department.

As important as the creation of this new set of devices – the UDCs, Enterprise Zone, a new grant regime – was the exclusion from any prominent role of those agencies whose approach and values might not be compatible with the new orthodoxy. This meant principally local authorities – in particular the Labour-controlled councils responsible for almost all inner city areas; and most community and voluntary organizations, especially those that could be categorized as 'pressure groups'.

Heseltine left the Department of the Environment in 1983 (and the government in 1986); but his successors continued on a similar course, with a steadily increased emphasis on the role of the private sector. By 1987 and the General Election of that year, most of these devices had been well run in. New instruments had also been devised: the City Action Teams as means of securing better co-ordination of activity by central government departments; Task Forces as a device for promoting rapid action in areas with immediately demanding needs (not coincidentally, these were also chiefly areas with substantial ethnic minority populations). As part of that process, the role of local authorities was contained by legislation, cut back through financial restrictions and in extreme cases – those of the GLC and metropolitan counties – abolished altogether.

Experience of these initiatives by 1987 could be generally portrayed as encouraging. In particular, events in the London Docklands seemed at that stage to demonstrate that the new form of private-public sector partnership could deliver. Resisted initially by the Treasury on the grounds that it would provide a 'wide opening for additional public expenditure', the device of allocating the development corporation a substantial block grant that could be employed in its 'single-minded' capacity as a regeneration agency to make available sites for development, coupled with a favourable planning environment and generous grant regime (especially in the Enterprise Zone in the Isle of Dogs) attracted substantial sums in private investment. These in turn could be presented as having been 'leveraged' in a ratio of £10 (or even £12) for every pound of public money invested.

This experience in London Docklands and in particular the visible evidence of rapid physical redevelopment associated with the deregulation of the City provided the apparently solid foundation on which the immediate post-Election policy could be based. In shorthand terms, this policy could be labelled 'privatism': the attracting into the Inner City of private developers, whose activities can in turn demonstrate that regeneration is taking place. Such regeneration should be tangibly evident, in the form of 'cranes on the horizon'; but also extend to the intangibles – the putting to rout of dependency. The presumption here is that the changes in the physical environment will also generate a significant number of new jobs. Some of these jobs will be secured by outsiders coming into the area, either independently or with migrant firms; others, however, will be open to the more enterprising among the resident population. In addition, there will be increased opportunities for small businesses, generated as a spinoff from the main economic activities in the re-generated area – characteristically, within the service sector. All these benefits fall under the collective description of 'trickledown': some policy intervention may be necessary to ensure that full advantage is taken of the range of opportunities becoming available – training in appropriate skills being a crucial example.

The 'partnership' that supports this approach is one between central govern-ment and the 'city fathers': that is, businessmen with a sense of social responsibility and a willingness to participate in new enterprises which do not necessarily yield maximum profits in the short term – though the benefits in the longer term are assumed to be substantial.

'ACTION FOR CITIES'

The key text in which the basic approach just summarized is developed is the government publication, *Action for Cities* (Cabinet Office 1988). This is not a White Paper, but an official document produced through the Cabinet Office, with a foreword by the then Prime Minister. In it, a particular emphasis is placed on the 'fundamental change in attitudes' which is seen as having occurred in Britain, with a rediscovery of 'enterprise and resourcefulness'. This is reflected in the strength of the economy, which has experienced 'sustained growth on a scale unknown since the war'. This provides 'the right springboard'; and businessmen are now poised to take advantage of this opportunity. They wish:

> to press ahead with sensible development without unnecessary red tape; to keep their costs as low as possible and not be punished by excessive rate demands; to be made welcome. For this to happen, the inner cities need to rediscover the sense of civic pride that once united residents and businesses (Cabinet Office 1988, 3).

The rest of the paper is devoted to detailed description of general government expenditure, to a total of £3bn., already taking place in the inner city, and existing central government initiatives (UDCs, City Action Teams, Task Forces, Housing Action Trusts). Photographs of completed schemes are provided: black and white before, in colour after – to reflect the cultural change that brought them about, no doubt. The city fathers are urged to live up to their description and invest in

opportunities. The document concludes, in the purest Saatchispeak: 'The time has come to end the pessimistic talk about the inner cities. It holds people back and achieves nothing. What is needed now is action and results' (Cabinet Office 1988, p. 28). Conspicuous among the document's many omissions is any substantial reference to the role of local authorities. Those that are made are either dismissive – as when the then Prime Minister referred in her introduction to towns that have suffered from 'civic hostility to enterprise' or positively misleading. For example, the section on the existing Urban Programme refers to grants given by central government 'through local authorities' without a mention of the contribution of 25 per cent of the costs that these authorities make.

But of more substantial significance for the future were events at the actual launch of *Action for Cities*. When ministers left the platform after their press conference they were immediately succeeded there by senior executives from 11 large construction and engineering companies, assembled as a consortium, British Urban Development (BUD), to announce their plans for investment in new development schemes. Thus the new partnership was sealed; government would facilitate, enterprise would produce the action. The enterprise strategy was long on rhetoric and short on analysis however. Apart from the cranes on the horizon, no-one seemed very certain about how this regeneration process would work or who its intended beneficiaries would be. The remainder of this essay attempts to fill some of the gaps that leave the enterprise strategy susceptible to accusations of incoherence and then assesses whether the result is plausible as inner city policy.

THE RATIONALE OF ECONOMIC REGENERATION

The idea of private sector-led regeneration of the inner cities rests upon a particular set of asumptions about why they collapsed in the first place (and why, in consequence, they became not only economic deserts but sloughs of social, cultural and moral despond as well). The mechanism by which private sector investment will turn them round also rests on a number of unspoken (and often taken-for-granted) assumptions about the nature of inner cities and in particular about the degree of their economic and social insularity. It is upon these latter assumptions that we focus.

By way of preamble however, it is necessary to enter a brief word about the purposes of the whole regeneration procedure (apart that is, from moral fibre stiffening). The strategy of private sector-led economic regeneration has been ruthlessly selective in the characterization of the inner city problem that it demands. The original causes for concern about the inner cities that (along with the question of race) spawned the Urban Programme and the Community Development Projects in the late 1960s and early 1970s (Edwards and Batley 1978; Higgins, Deakin, Edwards and Wicks 1983; Lawless 1979) are absent from the government promotional brochures of the late 1980s (see for example, Department of the Environment/ Department of Employment 1987; Cabinet Office 1988; Department of the Environment 1989a, 1989b, 1989c, 1990 and 1991). Nowhere in these glossies will be found any mention of poverty, deprivation, concentrations of chronic illness or high dependency ratios. There is, of course, a symbiotic relationship between

privatism as inner city policy and a diagnosis of the causes of inner city decay that is almost entirely economic in nature. If the root cause is the collapse of economic infrastructure, then what better agency to effect a reversal than private enterprise? And if, as a tenet of government ideology, you wish to promote the effectiveness, drive, and efficiency of the private sector (in contrast with bureaucratic, inefficient and dogma-driven local authorities) then there is much value (and a lot of potential propaganda gain) in characterizing the nature of the inner city problem as one upon which private industry and commerce can impact.

Put at its simplest therefore, enterprise orthodoxy holds that the root cause of inner city decay is the collapse of inner city economies and the appropriate response is to regenerate these economies. The arguments are of course a good deal more complex than this, and the ultimate causes of economic decline are multifactorial (see for example Edwards 1984; Spence and Frost 1983; Buck, Gordon and Young 1986; Lever and Moore 1986). This sketch will suffice for present purposes however. Which raises the question of how much, if anything, is being done to alleviate poverty, dependency and deprivation – or whether indeed – economic regeneration will bring about this desired result. There are inner city policies that are not immediately concerned with economic regeneration, the Urban Programme being the most significant in terms of funding and the City Action Teams and Task Forces in terms of visibility, but government policy is most emphatically directed primarily at economic regeneration. This is true of the numbers of programmes and policies involved, of where the bulk of funds is directed and, as already noted, of governmental presentation of inner city policies. ('Inner city policies' however is a very pliable notion. The National Audit Office identified 34 inner city policies and programmes (National Audit Office 1990), the authors have identified 32 (Deakin and Edwards 1993 forthcoming) and for presentational purposes the government's inner cities umbrella is very large indeed – see for example, Cabinet Office 1988; Department of the Environment 1989b, and 1990). Elsewhere, we have estimated for example that of the 32 or so programmes and policies that can reasonably be taken to fall under the inner cities umbrella, not less than 25 are concerned with or related to economic regeneration, and of total expenditure by the three main participating departments on inner city schemes in 1988/89 (Environment, the Employment Group and Trade and Industry), an estimated 90 per cent was for broadly regeneration-related work. (For similar reasons, estimates of expenditure on inner cities have a chimeric quality. The estimates here, of £2,470m. in 1988/89 of which some £2,200m. was for economic regeneration, are based on National Audit Office data (National Audit Office 1990)). If economic regeneration itself will not alleviate urban deprivation therefore, there remains relatively little by way of government policy that is designed directly to do so. The question of whether economic regeneration will itself reduce that variety of problems that collectively we call urban deprivation therefore assumes a significance that it otherwise would not if a solid and well-funded body of alternative policies existed.

There is a line of reasoning that suggests that the penetrative effects of economic regeneration into the social structure is such that it will serve to reduce deprivation. This is the 'trickledown' effect already referred to. The nature and possible

limitations of this effect have been examined elsewhere (Deakin and Edwards 1992) and it is sufficient to note here that evidence for any extensive penetrative effects of trickledown from economic regeneration is thin and such as there is suggests that benefits extend no further than to individual households in which a previously unemployed member gains employment as a result of job growth from regeneration. The piling of virtually all the policy eggs into the enterprise basket therefore, and the relative absence – or at least, inadequacy – of alternatives must seriously circumscribe the reach of inner city policy if the trickledown effect is as limited as we suspect. But what will policies of economic regeneration achieve? Tangible results (if the policies work) will be more office blocks, an improved environment and more jobs. (Who gets the jobs is another matter that will only partly be influenced by training policies.) The intended consequences of the strategy however are more ambitious than this as its name implies. Its purpose is to 'regenerate' something – and the something is usually inner city economies. This apparently simple conceptual formulation however has a habit of disintegrating into a number of complex components once it is subjected to even a modicum of scrutiny.

INNER CITIES AS ECONOMIC GHETTOS

The supposed mechanism of economic regeneration rests – as we have noted earlier – on a set of assumptions about the spatial discreteness of inner cities and inner city economies. The privatism strategy is not alone in this – the Urban Programme makes similar assumptions in respect of where resources should be delivered and in the designation of Partnership areas but whereas in the latter case it is largely a matter of targeting resources, for economic regeneration, discrete spatial areas (and economies) are an inherent component of the logic of the entire process. If some of these assumptions prove to be unfounded therefore, the mechanism of regeneration may turn out to be compromised.

There are apparently sound practical and logistical reasons for thinking of the task to be performed as being spatially bounded. Firstly, physical dereliction and social deprivation do appear to be *relatively* spatially concentrated (albeit that there are more deprived people living outwith inner city areas – however defined – than within them). Secondly, there is evidence of spatially reinforcing effects whereby the ecological correspondence of a number of deprivations (including physical and environmental depredations) generate a cumulative effect of disadvantage. Thirdly, and presentationally, it is easier to demonstrate success – or at least progress – if policy is spatially concentrated. And fourthly – and most importantly – the logistics of the privatism strategy demand that the area of benefit be demonstrably boundaried. This last reason requires some elaboration.

Using the private sector as an instrument of social policy requires, at its most basic that it be induced to behave in a manner that it otherwise would not. In the case of inner city policy this effectively boils down to getting new enterprise to locate, and footloose enterprise to relocate in inner city areas which other things being equal, they would not do, by the process of leverage. And the means by which this is achieved is the offer of inducements of one sort or another, usually in the form of rates and tax allowances and 'holidays', the provision of infrastructure,

relaxed planning procedures, and so on. If the policy is to work at all therefore, there must be defined areas (most notably in present policy, Urban Development Areas) within which the inducements apply and outwith which they do not). The 'logistics of enticement' therefore demand discrete regeneratable areas. What then is at issue is whether such defined areas represent anything more than just the space contained within their boundaries and whether they correspond with relative spatial concentrations of deprivation and self-reinforcing effects. The regeneration strategy of course requires that they do and this is reflected in three assumptions which must have some basis if the strategy is to succeed.

The first assumption is that it is possible and makes sense to 'reverse history'. Behind the regeneration thesis lies the idea that there is something *to* regenerate; (it is after all a *re*-generation that is sought). There was a time then (so we must assume) when the inner areas of British towns were economically and socially vibrant and no doubt if this condition had to be pinned down historically, its zenith would have been the period of Victorian municipal capitalism and Chamberlain would have been its hero. Perhaps it is to this time that present policy looks back and its (alleged) economic buoyancy that it tries to recreate. The vision that Mr Heseltine had in his first incarnation as Secretary of State for the Environment was this: 'I would like to see inner cities *once again* be full of hustle and bustle on a human scale, varied, alive, above all, places where people are free to develop and to succeed' (Department of the Environment 1979, p. 3, emphasis added). We need not enter a treatise on the history of Britain's inner cities: our point is a simple one: even if the inner areas of large towns and cities were once economically thriving and even if this economic activity protected the inhabitants from poverty and deprivation, does it make any sense in the 1990s to recreate (again, even if it were possible) the conditions of the beginning of the century on the assumption that the same trick can be made to work now?

The second and third assumptions are more directly spatial. The answer to the question 'what is to be regenerated by the privatism strategy?' is usually given as 'the economies of inner cities' or generically 'the inner city economy', (see for example Department of the Environment 1977 para. 26; Turok 1987; Eversley 1980; Solesbury 1987; Brownrigg 1983). Now the idea of an inner city economy appears to be a piece of received wisdom. (It also plays a totemic function in the hagiography of enterprise-led regeneration.) Nowhere is an inner city economy defined or described so we shall intuit some of its characteristics. Firstly, it is presumably a relatively discrete entity – it can be identified as an economy of the inner city. Secondly, it must be relatively insulated from other economies; from the national economy and from international economies (otherwise it could not have performed its original 'hustle and bustle' function and could not now be regenerated in relative isolation from wider economic forces). And, thirdly, it must be not only functionally discrete but spatially discrete (and definable) as well. (And its boundaries presumably will coincide with those of the designated areas of benefit for the purposes of the logistics of enticement.)

None of these characteristics bears close scrutiny – nor even a passing glance. If something that bore some relation to this specification once existed, it does not

now. It is true that some more romantic theorists have promoted the regeneration of inner city economies on the basis of local craft workshops, greenhouse collectives and urban sharecropping (swopping parsley and mint from window boxes in Islington) but that is hardly at the cutting edge of economic resurgence. The only way that economic regeneration will have any significant impact on deprivation (given that this will occur only through the trickle-down effect – and then, as we have noted only marginally) is through large scale employment growth: large employers providing large numbers of jobs. Such enterprises may be in the inner city (or preferably near to it) but they will not be of it. They will (and will need to) operate at national and international levels. Their links, loyalties and allegiances will be with the national and international corporate community, not with the inner city. One has, after all, only to think of the London Docklands Development Corporation (or indeed of Trafford Park or Merseyside) to see how vaporous is the idea of regenerating an inner city economy. The tenants of Canary Wharf are unlikely to owe their first allegiance to the residents of Newham, Tower Hamlets and Southwark or to their welfare. Nor are they likely to contribute to the municipal pride of those boroughs (though they may one day pay them some taxes).

The final assumption is that new investment, to be of benefit to the inner city, must be located within it. This may be part of the belief in an inner city economy but it also stands apart and independently. It must also constitute a necessary component of the logistics of enticement (assuming that is, that the designated enticement area coincides with the 'inner city'). That investment will only benefit inner city residents (to the extent that it will) if it is located in their midst, represents possibly the peak of the reification of the inner city as a discrete space. (But area designation for enticement purposes also serves to reinforce the idea of space, given that investment within defined boundaries is welcome but any outside is not.)

We have only to pose the question for the nature of space as an *ideé fixe* to become evident. Why does investment have to be in the inner city to be of benefit to the residents of it? There may be circumstances when it makes sense to locate new investment within inner city areas but 'those inner cities' are areas where people live (though this is not strictly true of some designated areas – the Trafford Park Development Corporation area being one example) and it is a strangely anthropological view that these people will want the large scale developments that (in job terms) are required, in the midst of their residential area any more than would their suburban counterparts. The enterprise strategy it would seem relies upon a conceptual ghettoization of the inner cities which serves only to sustain their separateness. It may well be time to question the very idea of the inner cities (an arbitrary designation at the best of times) constituting regeneratable entities at all.

None of this argument seeks to contradict the self-evident fact that more jobs accessible both physically and in terms of skills requirements could be of benefit to people living in areas of social, economic and physical deprivation. But that is an altogether simpler proposition that does not require of inner city residents that they accept 'for their own good' what elsewhere would be considered unacceptable mixes of land use predicated upon some unsustained assumption that inner cities are spatially definable and discrete entities out of which the moral stuffing has been knocked.

The enterprise strategy therefore requires too much of the idea of 'the inner city' spatially, economically and socially. The inner areas of cities rarely conform to the specification that economic regeneration requires. And in this there is an interesting and ironic parallel with the community development movement, usually associated with the opposite end of the political spectrum. The idea of economic regeneration has its provenance in the work and publications of the Community Development Projects (not noted for their *laissez-faire* economic views) and they too were prey to an anthropological conception of inner city residents and the social and spatial discreteness of the inner cities. Perhaps what people in the inner cities need most now is a more sensible mix of policies without moral pretentions and a rest from the social engineers of right and left.

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POLICY MAKING AND THE DEMONSTRATION EFFECT: PRIVATIZATION IN A DEPRIVED REGION

MICHAEL E. H. CONNOLLY AND ANDREW W. STARK

The aims of public policies are not always clearly articulated by ministers. Further the aims that are stated may not reflect all – or indeed the most important – aims. In some cases declared policy aims bear little relationship to the real intentions of ministers in undertaking an initiative. In other cases policy decisions are intended as symbolic statements, demonstrating government attitudes on a range of issues beyond the specific matter under consideration. These ideas are explored in the context of the privatizations of Harland and Wolff and Shorts, two major industrial government-owned companies in Northern Ireland. The article concludes that government sought to use the privatizations as a symbolic statement, namely to demonstrate that the heavy dependence on the public sector within Northern Ireland had to be reduced.

INTRODUCTION

It has long been recognized that the relationship between form and substance in policy making is complex. One essential dimension of this complexity is the difficulties involved in articulating policy goals. Stated goals may be multiple and incompatible. Different organizations within government, even different individuals within the same organization, may have different goals. Stated and real goals may differ. More problematically, goals may not be stated at all (Hogwood and Peters 1985). Understanding the purposes behind a particular government policy, therefore, inevitably will be a matter of judgement and interpretation.

In his biography of Mrs Thatcher, Hugo Young illustrated this argument by discussing what he terms the 'demonstration effect'. The term was used by an unnamed minister in connection with the then strike in the steel industry (Young 1989, p. 195). The strike was to be fought out to the 'bitter end' in order to demonstrate that the government were prepared to confront trade unions. This policy of confrontation, a policy at odds with a more conciliatory approach advocated by James Prior, then Secretary of State for Employment, was never explicitly articulated. Instead the government's stated line was that the strike was a matter between the unions and British Steel.

This article is concerned with examining policy goals in the case of the privatization of two of the major companies in Northern Ireland, namely Harland and Wolff and Shorts. One of the central themes of the Thatcher governments has been their attempt to promote the role of market forces, rather than the government, in the economy. An essential dimension of this has been the set of initiatives generally referred to as privatization (see, for example, Heald 1990; Kay, Mayer and Thompson 1986; and Vickers and Yarrow 1988). Gamble (1989) argues that the privatization policy developed not from any blueprint or comprehensive plan developed in opposition – the Conservative's 1979 manifesto contained limited references to what later became known as privatization – but from a series of *ad hoc* decisions and experiments. Nevertheless there is little doubt that it became one of the most distinctive elements of Thatcherism. Holmes (1989, p. 59), for example, declares that privatization has been central to Thatcherism, while Riddell (1989, p. 88) refers to it as 'the jewel in the crown of the government's legislative programme, around which all shades of Tories can unite.'

Despite the evident significance of privatization to the government, Northern Ireland has been isolated, to a considerable extent, from this development, at least until recently. This is due to a variety of reasons related to the inherent weakness of its economy and political turmoil. The economy in Northern Ireland is not strong; unemployment is high both in absolute terms and relative to the rest of the United Kingdom (Northern Ireland Economic Council (NIEC) Report No. 81 1990). Further, the Northern Ireland Economic Council has expressed the concern that the Northern Ireland economy could become worse relative to the rest of the United Kingdom (NIEC Report No. 81 1990, p. 53).

The public sector is a significant factor in the Northern Ireland economy partly because of its above-noted weaknesses. Canning *et al.* (1987) calculate that, while in 1951 there were more people employed in manufacturing industry and less in the public sector in Northern Ireland compared with Great Britain, by 1983 the situation was reversed. Between these two dates total employment remained 'remarkably stable', largely because of the increase in public sector employment (Canning *et al.* 1987, p. 221). According to the Northern Ireland Economic Council, public expenditure in 1987 was equivalent to 65 per cent of the value of output in Northern Ireland (NIEC Report No. 73 1989, p. 17). This compares with a figure of 39 per cent for the UK as a whole (NIEC Report No. 78 1989, p. 19).

In addition to the continuing problems of the economy, the 1970s and 1980s were characterized by considerable political violence (Arthur and Jeffrey 1988; Bew and Patterson 1985; Connolly 1990). The interrelationship between the economy and political turmoil is complex (Canning *et al.* 1987) but there are a number of aspects worth commenting on here. First, there is a widely held view that high levels of unemployment and social deprivation increase support for the various para-military organizations. As a result, and given the weaknesses of the economy, public expenditure is seen as crucial in combating terrorism. Second, the period under consideration saw a growth in unionist disenchantment with British governments. The suspicion grew that the British commitment to the Union was less than wholehearted. Unionists detected signs of political and, more particularly, economic

withdrawal in a range of policy decisions. Third, living standards in Northern Ireland are higher than in the Republic of Ireland, thanks in no small measure to the high levels of public expenditure. A united Ireland, in which the people of Northern Ireland were not to be adversely affected economically, would involve very high transfers of income and wealth from the Republic (Gibson 1975; Canning *et al.* 1987). Hence high levels of public expenditure have important implications within the specific political debate of Northern Ireland.

It was not surprising, therefore, that the political and economic risks associated with privatization meant that there did not appear to be much enthusiasm for its introduction in Northern Ireland. Through 1988 and 1989, however, privatiza-tion has become much more important (Connolly and McAlister 1990). As part of this, the government have returned Shorts and Harland and Wolff to the private sector from whence they originated.

The interesting question is why this policy shift has occurred. The economy has not dramatically improved, the backdrop to privatization remaining a relatively depressed, rather than buoyant, economy. Nor has the political situation been transformed for the better. Indeed, one could argue that the signing of the Anglo-Irish Agreement in November 1985 saw a significant worsening of the situation, with greatly increased unionist alienation (Arthur and Jeffrey 1988; Connolly and Knox 1988).

Our purpose here is to explore this question. More precisely we intend to examine the particular reasons advanced by government spokesmen for the privatization of Harland and Wolff and Shorts, to consider the extent to which we find these explanations satisfactory and to offer additional ones where appropriate. Our use of Harland and Wolff and Shorts as the empirical base arises for a variety of (interconnected) reasons. As we shall discuss later, both firms are important economically and politically within Northern Ireland. Further, the returning of Harland and Wolff and Shorts to the private sector produced a major outcry across most sectors of the population within Northern Ireland (see for example the article by Rev. Gordon McMullan, Church of Ireland Bishop of Down and Dromore, in the *Belfast Telegraph* November 17, 1988 as well as *The Economist* 26 Nov. 1988, p. 39). This outcry occurred in large measure because their financial state is such that privatization carried the possibility that either or both companies would close.

HISTORY

Harland and Wolff
The shipbuilding company of Harland and Wolff, which was established in 1858, is the second largest manufacturing employer in Northern Ireland (see Moss and Hume 1986 for the official history of the company). The company was taken into public ownership in 1975 under the Shipbuilding Industry No. 2 (NI) Order and privatized on 8 September 1989 through a management/employee buyout in which Olsen, a Norwegian company, provided a substantial amount of funds (NIEC Report No. 75, p. 46).

TABLE 1   Some performance figures for Harland & Wolff

	1983	1984	1985	1986	1987	1988
Turnover	72	86	59	82	78	68
Profit (loss) on Ordinary Activity (£m)	(35)	(29)	(34)	(27)	(50)	(17)
Total (loss)	(43)	(30)	(36)	(37)	(76)	(25)
Employees	6162	5452	5136	4937	4899	4044

Source: Trade and Industry Committee Third and Fourth Reports p. 80.

As indicated in table 1, the company has been a loss-maker for all but occasional years since 1960 (Trade and Industry Committee 1989). In addition the level of employment has fallen steadily since the 1960s. Between 1962 and 1966, employment was relatively stable at around 12,000. By 1968 it had fallen to around 9,000. Subsequently, employment was stable to 1974 but, from 1974 to 1985, 50 per cent cuts occurred (Trade and Industry Committee 1989, para. 22). Further cuts occurred from 1985 onwards and the yard currently employs less than 3,000 people. In the light of the subsequent debate about privatization, it is worth noting that public ownership did not protect jobs in any absolute sense.

Harland and Wolff was – and is – not included in the British Shipbuilders' consortium, the nationalization programme for other shipbuilding activities in the UK. In Northern Ireland, many unionists saw this as part of a government attempt to disengage from Northern Ireland. More recently, however, James Molyneaux (Member of Parliament for Lagan Valley and Leader of the Official Unionist Party) has suggested that this has proved to be a blessing in disguise, as, he argued, inclusion in the consortium would have led to the likely disappearance of Harland and Wolff (Hansard 18 July 1988, col. 606).

Shorts
Shorts is a major engineering firm with three main activities, namely the manufacture of aircraft, aerostructures and missiles. The company is organized in divisional form based on these three activities. Shorts was acquired by the government during the Second World War because the then Minister for Aircraft Production, Sir Stafford Cripps, 'took the view that the privately-owned firm was inefficient and, under current defence regulations, he took it into public ownership' (Trade and Industry Committee Report 1989, para. 16). It was privatized on 3 October 1989, having been purchased by Bombardier Corporation of Canada.

Table 2 indicates that the company has been operating at a loss for a number of years (for example, £37m. in 1985/6 and £20m. in 1986/7). Despite this, the number of people employed by Shorts has increased since 1974, reaching 7,600 people in 1988. This makes the company the single largest manufacturing employer in Northern Ireland and over twice the current size of Harland and Wolff.

TABLE 2 Some performance figures for Shorts

	1983	1984	1985	1986	1987
Turnover (£m)	202.3	163.0	200.9	199.9	225.4
Profit (loss) before tax (£m)	(16.9)	(2.4)	0.5	(37.2)	(19.9)
Average No of Employees	6048	6393	7036	6999	7089

Source: Trade and Industry Committee Third and Fourth Reports p. 56/57.

Analogous to Harland and Wolff, Shorts was not included in British Aerospace. As with Harland and Wolff, this event was treated as a portent of things to come with respect to British involvement in Northern Ireland but, in retrospect, it has so far proved beneficial to the survival of Shorts.

Shorts manufacture both civilian and military aircraft. In the civilian market segment they concentrate on short-range, low capacity aircraft (for example, the Shorts 360). Currently they have a contract with the Royal Air Force to produce a trainer aircraft (the Tucano).

The remaining parts of the business, that is the missile and aerostructure divisions, are widely regarded as more profitable than the aircraft division. Assertions as to relative profitability, however, need to be interpreted with a degree of scepticism. To the extent that research and development activities taking place in one part of the company produce technological developments that are of use in other parts of the company, the preparation of divisional statements presents a thorny problem in joint cost allocation and could lead to the same sort of issues being discussed as were raised by Berry *et al.* (1985) with respect to the National Coal Board's assessments of the profitability of individual pits.

The companies in the Northern Ireland context
The two companies are significant, both economically and politically, within the overall context of Northern Ireland. From the economic perspective, three points are worth making. First, there is the existence of the multiplier effect through which employment in both companies generate jobs in other parts of the economy. It is estimated, for example, that Harland and Wolff's activities result in the injection into the Northern Irish economy of (gross) spending power equal to approximately 6 per cent of total wage and salary payments to employees in the production industries (Harrison 1988). The Economic Council calculates that an additional 1,300 to 1,800 jobs were generated by Harland and Wolff in 1987–7, giving a total employment multiplier of 1.33 to 1.44 (NIEC Report No. 69 1988, p. 421). The decline in importance in both companies in recent years means that their impact on employment in Northern Ireland is not as important as in previous years but it is not insignificant in a region of high unemployment.

Second, the two companies are still large relative to Northern Ireland's manu-facturing sector. In December 1989 there were approximately 102,740 people in employment in manufacturing industry in Northern Ireland, of whom about 10 per cent were employed in the two companies (NIEC Report No. 81 April 1990). The fear is that the demise of Shorts and Harland and Wolff would accelerate the decline of the manufacturing sector.

> The choice of a privatisation option for Harland and Wolff and Shorts, both of which are making heavy losses, is therefore a strategy which carries a considerable risk to employment in these companies in the longer-term. The implications for employment in the manufacturing sector of the economy should this fear be realised would be considerable (NIEC Report No. 73 1989, p. 51).

Third, both companies are seen also as crucial in sustaining skilled labour in the Northern Ireland economy. For example, the Northern Ireland Economic Council states that 'Harland and Wolff. . .plays an important role in the develop-ment of skilled labour and technical and managerial skills' (NIEC Report No. 69 1988, p. 26).

The companies' political significance is threefold. First, both companies are particularly important to the unionist community. In both cases employment is overwhelmingly Protestant (Arthur and Jeffery 1988, pp. 28–9). This association has had important consequences. It has made both companies targets of the drive to ensure fair employment within Northern Ireland. Shorts, in particular, have been vulnerable to Irish-American attacks on the balance of their workforce because of the importance of the American market to the company (Arthur and Jeffery 1988, p. 29).

Second, unionists have become more suspicious about the intentions of the British government, increasingly fearing that they wish to withdraw from Northern Ireland. Privatization may be seen as a prelude to such a withdrawal. This point was made repeatedly during the Privatization debate. For example, Roy Beggs, Unionist MP for East Antrim, repeated the charge about a 'phased British economic withdrawal from the Province' (*Hansard* col. 1301, 21 July 1988. See also the speech by Cecil Walker, Unionist MP for North Belfast, in *Hansard* col. 608, 28 July 1988). Such charges were rejected by the government (for example, see the speech by Mr Viggers in *Hansard*, col. 1302, 21 July 1988).

Third, support for both companies is seen as an important symbol of the govern-ment's commitment to economic and industrial development in Northern Ireland. This was referred to on a number of occasions in the debate about privatization. For example, Jim Marshall, a Labour spokesman on Northern Ireland, asked of Peter Viggers, then Minister responsible for Industry in Northern Ireland, when he would begin '. . . to understand that Shorts, with Harland and Wolff, are regarded as symbols of the Government's continued commitment to the economic and industrial infrastructure in the North of Ireland?' (*Hansard* 21 July 1988, col. 1299). Further, he asserted that the government, by looking to privatize Shorts and Harland and Wolff, was giving the impression '. . . to many people especially those in Northern Ireland, that the Government are trying to shed their responsibility

for continued industrial and economic development in the North of Ireland' (*Hansard*, 21 July 1988, col. 1299).

To summarize, the two companies are the two largest manufacturing employers in Northern Ireland. But both companies are not now, nor have been for the past number of years, profitable. As a consequence, there is a fear of the impact of privatization on the survival of the two companies (see, for example, NIEC Report No. 75 April 1989, pp. 45–8). The government has argued that public ownership has not benefited either company and it is true that employment in both companies has not been protected under this arrangement. But these considerations do not diminish the concerns within Northern Ireland about the economic risks involved. Further, the process involves a number of political risks related to the increased disenchantment of unionists and the consequent difficulty involved in the governance of Northern Ireland.

OBJECTIVES OF PRIVATIZATION

If this analysis of the position of the two companies is accepted, the question arises as to why the government decided to privatize them. It is evident that there were considerable political and economic risks inherent in the exercise. What then were the government hoping to gain?

There are a number of possible objectives that the government can pursue by privatization (Moore 1986). Vickers and Yarrow (1988) suggest the following list:

(1) improving efficiency;
(2) reducing the public sector borrowing requirement (PSBR);
(3) reducing government involvement in enterprise decision making;
(4) easing problems of public sector pay determination;
(5) widening share ownership;
(7) gaining political advantage.

A further objective of the privatization programme has been suggested by Aylen (1988), namely;

(8) reducing government interference in an individual's portfolio decisions.

Other commentators have offered more overtly political and ideological statements of the purposes of privatization. For example, Ascher (1987) has argued that 'competitive tendering and contracting out fit into the Conservative Government's comprehensive and sustained attack upon trade union powers' (p. 47).

Across privatizations, the extent to which any given objective is pursued will vary (Kay and Thompson 1986). Naturally, there is nothing inherently wrong with pursuing a different range of policy objectives with each privatization. However, that raises the question as to the identification of possible objectives in the cases of Harland and Wolff and Shorts. Improving (economic) efficiency has been identified by government spokesmen (for example, Moore 1983) as the single most important privatization objective. With regard to the two Northern Irish companies under consideration, this point was stressed repeatedly. In connection with Shorts, Peter Viggers declared that the '. . .number of jobs and the prospects of the

enterprise in Belfast depend on its ability to produce and sell projects that customers want to buy' (*Hansard* 21 July, col. 1300). Further, he stated that '(m)anagement could be more flexible and would not have to seek authority to spend money' (*Belfast Telegraph* 17 Nov. 1988, p. 9). In a speech to a shipbuilding seminar on 26 October 1988 in Belfast, Viggers declared 'It is orders which count and Harland and Wolff needs to be able to respond rapidly to market forces. The company needs to be free from the shackles of Government control if it is to maximise its potential' (Northern Ireland Information Service, 26 Oct. 1988). In short, it appears that improving efficiency of the companies is the main objective being pursued by the government in the privatizing of Shorts and Harland and Wolff with, also, an associated sub-objective of reducing government involvement in enterprises decision making.

Before discussing these further, however, it is worth commenting on the sixth objective, namely encouraging employee share ownership. The way in which the privatization of the two companies was managed has led to the achievement of this objective, but rather fortuitously. Given the state of the two companies, a public flotation of their shares was impossible. Instead the government attempted to secure a negotiated sale, either to another private sector company or a management/employee buyout. The government showed no inclination, *as a matter of principle*, to favour management/employee buyouts over other possible forms of sale of either Shorts or Harland and Wolff. Nevertheless this is what happened in the case of Harland and Wolff.

Economic efficiency and enterprise decision making

The argument for increasing economic efficiency is well known but bears repeating (Kay and Thompson 1986). In a competitive market, economic efficiency is achieved in two ways. First, such firms will produce at the lowest possible cost – X-inefficiencies (Leibenstein 1966) will not exist. This is productive efficiency. Second, given productive efficiency, a private firm will produce the competitive quantity demanded of a product at the competitive price (i.e. achieve allocative efficiency). Implicit in this statement is an assumption that there is no interference in enterprise decision making which might hinder the process whereby the competitive quantity is produced at the lowest possible cost.

In the private sector, it is argued, there exist a number of different, but not mutually exclusive, incentive structures to achieve economic efficiency, for example the market for corporate control, the bankruptcy constraint, incentive contracts for management based upon financial performance, etc. If a private sector firm does not operate in a competitive market, then incentives do not exist for allocative efficiency but do exist for productive efficiency (although large private monopolies may well be able to avoid these pressures as well). It is argued, however, that incentives for neither allocative nor productive efficiency exist in the public sector.

If such ideas are applied to Harland and Wolff and Shorts, what are the implications of privatization for economic efficiency? Both firms exist in competitive markets (although the nature of their markets needs to be studied carefully). Therefore, let it be assumed, *for the moment*, that the two firms produce a fixed

output while facing a competitive determined price. If such is the case, consider the problem of productive efficiency. Kay and Thompson (1986, table 1, p. 7) argue that there are not the incentives to achieve productive efficiency in any sort of publicly owned commercial enterprise, irrespective of the degree of competition in their product market. Thus, all other things being equal, it is not unreasonable to assert that privatization of the two companies will lead to additional redundancies, at least in the short term, and each firm will become more efficient from a productive point of view (see Harrison 1989). (By 'additional', we mean additional to those that might or might not occur under public ownership. Thus the statement is not inconsistent with the argument that public ownership produces redundancies.)

If the assumption that the firms are producing a fixed output at a competitively determined price is now relaxed, it can be argued that some or all of the redundancies mentioned above would not occur. Indeed, there might be a requirement for an increase in employment. This would be due to an increase in output as a result of the gain in productive efficiency. Such a result could also arise as a consequence of being freed from government interference in enterprise decision making.

At the end of these two processes, two apparent extremes exist. The two companies either will be able to survive as commercially viable enterprises without any need for redundancies (with, perhaps, an increase in employment) or will be unable to survive and, hence, will disappear (with associated large scale redundancies). Further, if it is argued that, as a result of the privatization process, the firms will become commercially viable, this argument essentially blames government ownership for all of the commercial ills of the two companies. Given the nature of the markets in which the companies exist, this seems a particularly heavy burden to apportion to government ownership which, in turn, suggests that it is certainly a distinct risk that either or both of the companies may end up at the wrong end of the two extremes mentioned above (i.e., bankruptcy). Nonetheless, looked at from the point of view of economics, redundancies, and the subsequent opportunity for the redeployment of labour away from an apparently unproductive use towards other productive uses is not, of itself, objectionable. The question is – how might such labour be used if the companies failed?

It is not axiomatic that the redeployment of labour would occur in Northern Ireland (for example, British Aerospace might seek workers from Shorts). In the best possible case, if redeployment of labour were to occur in Northern Ireland, it is difficult to see any major objection to privatization from the point of view of either the Northern Ireland economy or the United Kingdom economy overall. In other circumstances, if redeployment were to occur in Great Britain in part, the likely effect would be to strengthen the mainland economy and weaken that of Northern Ireland with an overall increase in the strength of the United Kingdom economy. This scenario therefore would present distributional problems. One other scenario exists, namely that the labour market is imperfect and, at the extreme, no redeployment of labour would occur. In this case, it is fairly clear that both the economy of the United Kingdom and Northern Ireland will deteriorate as a result.

The analysis above suggests that one key issue is what will happen to any labour that is likely to be freed up as a consequence of privatization. In terms of deployment occurring in Northern Ireland, prospects look gloomy. Unemployment in Northern Ireland currently (as at November 1989) stands at 16.9 per cent of the workforce and is the highest in any of the United Kingdom regions (the nearest regions are the North of England and Scotland with 11.9 per cent and 11.5 per cent respectively). Clearly then, the outcome of privatization cannot be separated from that of other policy directions designed to reduce the level of unemployment, a point to which we will return.

Let us return now to the price setting mechanism that both firms face in competing in their respective markets. A brief discussion is provided now of some relevant characteristics of this mechanism. A useful starting point is the fact that the shipbuilding, aircraft and missile manufacturing sectors are heavily subsidized by governments all over the world. Harrison (1989), for example, has argued that, in essence, competition between shipyards, even if all shipyards are efficient, also involves competition between governments. Hence, the future of Harland and Wolff is tied up with the availability of government grants. Further, whilst the government has stated that, as a matter of policy, it will keep providing EC intervention aid to subsidize contracts, the level of such grants (turnover-based) is determined at the EC and is a function of EC policy towards shipbuilding in general and the extent to which it will subsidize the EC shipbuilding industry to help in competing with shipbuilding industries elsewhere (for example, the Far East). As regards Shorts, given the possible connections between development activities for military purposes and straight-forward commercial activities, it can also be argued that government, via defence contracts, substantially affects the company's future.

The above suggests that the 'competitive' prices faced by each company are, to a certain extent, artificial and not determined solely by relevant economic factors. As such, it is clear that the survival of each company is not only a matter of achieving a satisfactory interaction between company production possibilities and customer requirements but also involves relationships with other parties external to the companies and their customers – in particular, government(s). Thus, the future of neither company, post-privatization, can be said to be in their hands alone. Further, it is worth emphasizing that the privatization of both companies does *not* mean that the government will escape continued substantial involvement with them. The provision of grants as well as orders for products, particularly in the defence field, means continuous government involvement in various ways with both companies. It is clear, therefore, that the success of Shorts and Harland and Wolff after privatization depends upon future government decisions in a number of areas.

Regional employment and development

Here the question is raised as to whether privatizing Harland and Wolff and Shorts is consistent with other policy directives aimed at the development of the Northern Irish economy? One prominent policy is the so-called Pathfinder process being implemented by the Northern Ireland Department of Economic Development (DED).

The analysis of the Northern Ireland economy underlying Pathfinder defines the following structural problems in the economy:

(1) the lack of an enterprising tradition;
(2) the lack of competitiveness among too many of its firms;
(3) the lack of exports;
(4) the size of the public sector compared with that of the private sector;
(5) the dependency on public sector funds; and
(6) the political problems in the Province (Stutt, Haire and Graham 1988).

As a consequence of this analysis, the Department of Economic Development redefined its own economic development aims as:

> ...(to) strengthen the local economy to enable the private sector to create self-sustaining growth, but at the same time to support existing employment where it is cost-effective to do so. In the longer term, it is thought important to transfer resources from activities which merely support the economy, to those which have a strengthening effect on the private sector (ibid 1988, p. 75).

Thus, taken at face value, it can be argued that there is a degree of policy consistency between privatization and other measures being taken to assist the Northern Ireland economy. However, the Pathfinder process does not rule out the possibility of supporting employment when such support is cost-effective. Policy consistency would imply that it is no longer cost effective to sustain employment in Harland and Wolff and Shorts.

Arguments about the extent of the subsidies to, and hence the cost of maintaining jobs in, both companies were used frequently by ministers. For example, Viggers stated:

> We have to take into account the £4,000 or so that it costs to maintain an ACE (Action for Community Employment) place, or the £10,000 which IDB (the Industrial Development Board) might require to promote a new job that will last for some years. All these figures have to be balanced against the costs of maintaining existing jobs in the yard or Shorts. The Government calculates that a job at Harlands costs £15,000 plus (*Belfast Telegraph* 17 Nov. 1988).

It is not clear precisely to what the figures refer, but the point is obvious, namely that public monies spent on Harland and Wolff and Shorts might have been put to better use. Recent work by the Northern Ireland Economic Council, however, indicates the great difficulties involved in making calculations about the cost of job creation (NIEC Report No. 79 1990). After articulating a range of problems, the report argues that the actual cost-per-job created for all firms offered assistance across six cohorts of firms during the period September 1982 to June 1988 was £15,570 – in 1985 prices (NIEC Report No. 79 1990, p. 50). From this, the case against subsidies to Harland and Wolff and Shorts on the basis that they were not cost effective is not obvious.

Political considerations
Public policy decisions are unavoidably political and privatization is no exception.

A number of commentators have argued that, despite the economic rhetoric with which privatization is inevitably described, it is 'a political act' (Dunsire 1990, p. 57; see also Hennig et al. 1988). But there are a number of senses in which the term 'political' may be used. We propose to discuss political advantage under two headings, namely short-term electoral gain and strategic advantages which might be acquired by government. We will consider each in turn.

Short-term electoral gain

This term is used in the sense of Vickers and Yarrow (1988). They argue that privatization has produced an electoral advantage to the government as a result of the financial benefits received by those voters who acquired shares in the newly privatized companies. In this narrow sense, it is not relevant here. This is partly because of the way in which both companies were privatized and partly because mainland political parties have not participated, until recently, in elections in Northern Ireland, these being dominated by regional parties. The Conservative party has begun to organize in Northern Ireland as a consequence of pressure from within Northern Ireland. Candidates seeking to ensure that the Conservative Party did organize in Northern Ireland had some success in the 1989 local government elections in North Down (Knox 1990). However, in the first outing of the party at a Westminster by-election in the Upper Bann constituency in May 1990, they were roundly defeated which, given the strength of the Unionist Party in the constituency, was no surprise. Electoral advantage, therefore, is only going to be gained in terms of the impact on British voters. It is likely that on this issue at least there is neither advantage nor disadvantage to be gained amongst British voters.

Strategic advantages

Governments may wish to secure advantage in ways other than direct electoral advantage. They may seek to distance themselves from a problem. In dealing with an issue, they may take into account the implications of the issue for other issues and more generally for the task of governing itself. Both of these considerations are relevant in this case.

First, as already mentioned, both companies traditionally have recruited mainly among the Protestant population. This practice has, in recent times, caused some embarrassment to both companies and the government. For a variety of reasons, there is an increasing emphasis by the government on ensuring fair employment practices by employers in Northern Ireland (see Osborne and Cormack 1989). It might be argued that a factor in privatizing the two companies was to enable the government to distance themselves from any allegations of discriminatory behaviour. There is no evidence, however, to support this argument, at least in the sense that the government explicitly took account of this. In any case it is unlikely that the government would be able to distance themselves from issues of fair employment, if only because the American connection referred to earlier would force them to defend both companies.

The second consideration is the extent to which privatizing Harland and Wolff and Shorts impinges on other issues and assists the British government's task in

governing Northern Ireland. Given that all major political parties in Northern Ireland are opposed to these proposals and the particular suspicion of unionists about withdrawal, it seems likely that, if anything, privatization will make the task of governing Northern Ireland no easier, to put it at its mildest. Indeed, as the debates in the Commons reported earlier indicate, the opposite is the case. Perhaps most important in this context is the reaction of the unionist community. Given the history of both companies, it is they who are likely to feel most threatened by the implementation of privatization. Were the companies to fail, the major economic burden would fall on that community. Further, unionists have consistently expressed fears about their betrayal by the British government and may see privatization as a part of a policy of economic disengagement from Northern Ireland, a prelude to political disengagement. As already indicated above, this has been strongly rejected by the government but to the extent that it is believed by unionists it adds to the difficulties involved in governing Northern Ireland.

It should be added, however, that most non-unionists were equally opposed to the privatization proposals, though perhaps not as deeply involved. For example John Hume, leader of the main nationalist party, the Social Democratic and Labour Party, in the House of Commons debates on the subject argued that Shorts and Harland and Wolff

> have not endeared themselves to my constituents by their employment practices. But we are not interested in the doctrine of 'an eye for an eye'. .The skills and technology that those. .industries represent are essential to the future of all the people of Northern Ireland, and I wish to support and protect the maintenance and development of that technology and those skills (*Hansard*, 28 July 1988, col. 607).

To sum up it would appear therefore that there is no obvious political advantage to be gained by the government in privatizing Shorts and Harland and Wolff. It does not make the task of governing Northern Ireland easier. Nor is there any electoral advantage to be gained.

Summary and discussion

Returning to the central question of the article, namely explaining the policy shift in privatization towards Northern Ireland, we have sought to answer this question by considering the justifications put forward by government ministers. It would appear that, in privatizing Harland and Wolff and Shorts, the government is pursuing the inter-related objectives of reducing their involvement in enterprises' decision-making, as a specific contribution to increasing economic efficiency, and to increase economic efficiency in general. In the context of the two companies under discussion, and the Northern Ireland economy as a whole, increasing efficiency, as conventionally understood, however, has interesting and important implications. In particular, there is little doubt that there is a distinct possibility that one or both companies might cease trading. Such possibilities pose considerable political and economic risks for the governability of Northern Ireland.

Similar economic risks were not associated with numerous other privatizations,

for example British Steel, Rolls Royce. In the latter cases strenuous efforts were made to ensure that the companies were profitable before the privatization process commenced. In other cases, for example British Leyland, relatively unprofitable companies or parts of companies remained in the public sector. Indeed, in the cases of Harland and Wolff and Shorts, the government appeared, at one point, to emphasize the difficult financial position of both companies, drawing from the Chairman of Harland and Wolff some critical comments (for example in evidence to the Trade and Industry Committee 1989, para. 29).

Furthermore there is evidence that the company's management would have preferred privatization to have been delayed. Indeed the attitude of both companies' management is an interesting point of comparison with other privatizations in the UK. Managers in these other situations appear to have relished the prospect of being privatized (Dunsire 1990). The attitude of management in the two companies under discussion appeared to be a little more ambiguous. John Parker, the Chairman of Harland and Wolff, in reply to a question at the Select Committee as to whether he would have preferred to remain in the public sector, conveyed that he would have liked to wait for a couple of years before moving to the private sector (Select Committee on Trade and Industry Minutes of Evidence 18 Jan. 1989, p. 3, para. 22).

It has to be said that there have been attempts to reduce some of the economic risks and there is a belief that some of the risks are minimal. First, the White Paper on Public Expenditure provides some details on the government financial support for both companies. Under the sale agreement with Bombardier, grants totalling some £90m. will be made available to Shorts, while some £143m. will be made available to Harland and Wolff during the survey period (The Government's Expenditure Plans 1990, ch. 17, paras. 35–360). Support was also provided during the pre-privatization period (NIEC Report No. 75 1989, pp. 46–7). In addition, the Select Committee on Defence (1990) complained about what they referred to as a 'bizarre fiscal gavotte'. Ministers were accused of trying to confuse MPs over the manner in which £22.5m. was spent in connection with two naval contracts won by Harland and Wolff.

Second, as the Trade and Industry Select Committee (1989) pointed out, '(t)here is wide agreement that a recovery in world shipping is very likely in the near future (although not necessarily for VLCCs)' (para. 18). There is some hope, therefore, that Harland and Wolff will be operating in a situation in which profit-making will be easier than in the past, though 'there are difficulties in predicting when the expected upturn will come, and how far it will be of benefit to Harland and Wolff' (Trade and Industry Committee 1989, para. 28). However, it has to be said that the Trade and Industry Committee stated that '(i)t is unfortunate. . that this privatisation has not come as the culmination of a carefully planned process to ensure the future of the yard' (para. 28).

In addition to the financial and economic risks, there are also political risks. These include the possibility that the policy will be interpreted by unionists in such a way as to increase the difficulties involved in governing Northern Ireland. Why should the government wish to undertake a policy initiative that has so many apparent risks involved?

One explanation might lie both in the particular strength of political conviction held by the government and its Prime Minister, as well as the relative power of the centre, the 'Mace' in Richard Rose's terminology (Rose 1982). Whatever the arguments that can be made for the degree of policy variance between Northern Ireland and the rest of the UK under devolution (see Birrell and Murie 1980) there is evidence that direct rule (Arthur 1984, Bew and Patterson 1985) has reduced some of the policy differences between Northern Ireland and the rest of the UK (Connolly and Loughlin 1990). Certainly Northern Ireland is now much more integrated into national policy-making because of Direct Rule. As we have already made clear, some unionists undoubtedly feel that privatization is part of a deep-seated conspiracy to withdraw from Northern Ireland. But, if this is the government's aim, then it is being carried out by the application of policies that have been utilized in the rest of the UK. Further such policies are most widely supported by those Conservatives, including Mrs Thatcher (Young 1989), who would regard themselves as most deeply committed to the Union.

It is clear that a government, which was – and is – as deeply committed to its prescription for Britain as was the Thatcher government, was finding it increasingly difficult to defend to its backbenchers what was perceived as a different approach to public expenditure for Northern Ireland. The levels of financial support for both companies were causing political embarrassment. Members of Parliament from the North East of England complained that their constituents were in danger of being made redundant as a result of government support for Harland and Wolff. For example, Michael Fallon, MP for Darlington, asked of Rhodes Boyson, then Minister of State in the Northern Ireland Office, whether he accepted that there would be strong resentment in the North East of England if an order for building ships was 'stolen from Tyneside because of public subsidy in Northern Ireland?' (*Hansard* 27 March 1986, col. 1063/4). Similar points were made by other MPs on this occasion.

But more generally a growing weariness with the high dependence of Northern Ireland on the public purse can be detected. Even James Prior, one of the 'wetter' Secretaries of State for Northern Ireland, expressed his amazement with the propensity of Northern Irish people to seek government grants (Weir 1983). We would argue that it is more appropriate to view the privatization of Harland and Wolff and Shorts as part of the process of reducing citizens' dependence on government and persuading the Northern Ireland people that there is life beyond government grants. In short, the essential dimension of the privatization of these companies is a symbolic statement, a demonstration, that there has to be a reduced role for government in the economy of Northern Ireland. This demonstration effect is not diminished by the continued involvement of government with both companies. For a start, a great deal of risk minimization has been undertaken in a quiet and low key manner. And if as a result Harland and Wolff and Shorts were to succeed the demonstration effect would be more effective!

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PUBLIC MANAGEMENT _____

GOOD PIANO WON'T PLAY BAD MUSIC: ADMINIS-TRATIVE REFORM AND GOOD GOVERNANCE

KENNETH STOWE

INTRODUCTION

Today is the fortieth anniversary of my joining the civil service and the thirty-third anniversary of being seconded to the United Nations to help Herbert Emmerich (Professor of Public Administration, Chicago University) prepare the UN Handbook of Public Administration. It is also the fourth anniversary or returning to that subject at the beginning of a new career as adviser on administrative reform in several countries.

It is difficult to distil my experiences into about thirty minutes but the British Council compelled me to try when they invited me to direct an international seminar on Better Government and Administrative Reform in June of this year. Twenty-six countries were represented – Costa Rica to Poland, Canada to New Zealand, the USA to Indonesia and Brunei, Sweden to Namibia. The delegates were Cabinet Ministers to Deputy Secretaries. This paper is based on my opening remarks and the discussions at the seminar, on a subsequent seminar at the United Nations Development Programme (UNDP) in New York – and on continuing debate in a number of countries about good governance. It contains more questions than answers and explores the hypothesis which connects administrative reform with better government.

I propose to work backwards through my title, starting with good governance. Thus the explanation of the Caribbean calypso will come last!

GOOD GOVERNANCE

Why is the issue of good governance relevant now? The prospectus for the British Council seminar set out the reasons in late 1989:–

Sir Kenneth Stowe, Permanent Secretary, DHSS 1981–87 and a Vice-President of RIPA Council gave the above post-AGM lecture to RIPA on 28 November 1991.

The need for reform of central and local government is confronting governments world-wide, in developed as much as in developing countries, and in many different political contexts. Excessive costs, poor service to the public and failure to achieve the aims of policy are a common experience – poor performance, waste, and low morale feeding a downward spiral of inefficiency. Economic constraints, demographic change, rising public expectations and media exposure of failure have combined to make reform urgent (The British Council 1991).

I think that these claims are still valid but administrative reform is about means, not ends. It has taken a long time for international institutions and national governments to open up the issue about ends. What is the point of good public administration if it does not support good governance? What, indeed, is good governance? There was no reference to it in the UN Handbook. The first authoritative reference I know was in 1989, in a World Bank report on Sub-Saharan Africa which defined it as 'a public service that is efficient, a judicial system that is reliable and an administration that is accountable to the public.'

I think that there is more to it than that. I also think that it is highly dangerous to suppose that the prescription was appropriate only for Africa or the Third World. Falling short of goodness in government is a common experience in any and all nations, not excluding the UK. Indeed, in the UK, rather than having 'a judicial system that is reliable' what *we* have had is a spectacular series of miscarriages of justice, involving both the police and the judiciary and a Royal Commission has been set up to deal with a massive scandal.

I suggest that we have here in Britain the same need as elsewhere to define and clarify what we mean by good governance, and then test our own performance; and I set out six desiderata for this:–

  i. political freedom, including free speech and a freely elected Parliament, assembly or legislature;
  ii. constitutional and judicial protection for the rights of the individual;
  iii. the maintenance of the rule of law by an independent judiciary;
  iv. the maintenance of a stable currency, the essential underpinning of economic and social development;
  v. development of society as a whole by education and health care; and finally
  vi. executive accountability to a freely-elected legislature.

Note that I do not include the World Bank's 'public service that is efficient' in my desiderata of good government. This is something to which I will return.

It is interesting to note that such political debate as there is in the UK on good governance tends to focus overseas, emanating from the Overseas Development Administration (ODA) and the Foreign and Commonwealth Office. The Minister at the ODA, Mrs Lynda Chalker, in a speech to the Overseas Development Institute linked overseas aid with good governance, and interestingly specified education and health as examplars. I am an enthusiastic supporter of the motive behind the 1988 Education Reform Act; and I can see some merit in the current procedural changes in the functioning of health authority hospitals (although both reforms

have been and continue to be devalued by political buffoonery). What went before, however, hardly justifies lectures to the Third world on good governance! If you think I exaggerate let me point out that there are districts in Africa with a higher immunization rate for under-fives than in many inner city areas of the UK and there are also Salvation Army schools there whose 'O Level' pass rate would shame some London Boroughs.

As far as the government of the UK is concerned, good governance appears to be someone else's problem. The UK pursued the idea at the Commonwealth Heads of Government Meeting in Harare, Zimbabwe this year, and made a notable advance in securing a Commonwealth doctrine of good governance. When it came to the Queen's Speech however, good governance registered only as a prospective condition for overseas aid. Perhaps the Citizen's Charter is the domestic version?

A declaration of good intent – which is the most that can be said as yet for the Charter – about standards for certain public services, whether provided by the state or simply funded or subsidized by the state, is an admirable initiative. With determination on the part of ministers and their departments, *and* the necessary funds, we could as a nation begin to make up for years of indifference and neglect, under governments of all shades. I suggest, however, that a little more home-work needs to be done at the centre before Citizen's Charter equates with good governance. A Citizen's Charter which – for example – guaranteed to maintain the value of the pound, or even the ECU, in your pocket and guaranteed compensation for excessive delay in the administration of justice would be something different again. I did not, incidentally, find a reference to the Royal Commission on the Judicial System in the Citizen's Charter.

Here I should like to offer a new hypothesis: that the effectiveness of a Citizen's Charter depends upon enforceability in the courts. Can we connect the 1990s concept of a Citizen's Charter with the 1980s concept of Judicial Review? I raise the question 'What is the test of a good Citizen's Charter?' The answer I offer is 'it is in every respect justiciable', i.e. open to redress in the High Court. Surely this is a reasonable test to apply?

Such a test would of course, get some of our less perceptive legislators into trouble. For example, my local MP whose annual report has just been put through my door, proclaims under a 'Charter for Passengers' that 'the days of misery for road and rail users are numbered.' Now there is much to be said for getting the trains (clean of course) to run on time. But that was,.after all, an achievement credited to a Fascist Dictator in the 1930s. Which brings me back to a 'public service that is efficient' *not* being in the canon of good governance. It was, thankfully, a Jew who pointed out to us in the British Council seminar that the Holocaust was, no doubt, facilitated by an efficient public service. A contemporary example illustrates that same point: a public service that can identify among candidates for senior academic appointments those who listen to the BBC World Service, and thereby reject them, has a certain competence. You can, no doubt, see where 'bad music' is going to enter into the argument.

An efficient public service cannot of itself secure good governance; it can indeed

be used *against* good government. What the World Bank was saying, I believe, was that you cannot have good governance without it, and that I subscribe to.

ADMINISTRATIVE REFORM

The UK civil service has been engaged in administrative reform more or less continuously since the Fulton committee reported in 1968. There were, of course, reform initiatives before that, notably the re-training of civil servants in The Conduct of Public Business, which followed the Crichel Down fiasco. However, for much of that time these reforms were not crowned with much success, if success is measured by better performance in public services.

Nevertheless we are credited in the UK with having a better civil service than we had twenty-five years ago and, even more importantly, we are credited with a Civil Service that has been a material factor in the transformation of the UK economic and social scene in the 1980s. You can choose for yourself whether the transformation is for better or worse, but the credit is certainly there. We are repeatedly asked by other governments – how it is done? My response to that, in my role as a UK government adviser, boils down now to asking three further questions of them – and giving them UK-based answers as a starting point for their consideration. These questions are: (a) what is a civil service for (b) what is a civil service in a plural democracy and (c) how can a professional civil service be created?

I. What is a civil service *for*?

This question seems to me to be straightforward. The answer I gave a new democracy and its new, and very young Prime Minister, who asked for our help in creating for his country a 'British' civil service, was that the function of a professional civil service in a multi-party or plural democracy is:

    i. To *inform* ministers and Parliament – with complete and accurate data, presented objectively and in time.

    ii. To *advise* ministers – by analyses of data and appraisal of options in which they can have confidence.

    iii. To *implement* ministerial decisions and to administer the resultant legislation.

    iv. To *account* to ministers and Parliament for their actions (or inaction) – with particular reference to the safeguarding of public funds and ensuring effective value-for-money.

II. What *is* a civil service in a plural democracy?

This is a more testing question, and reveals a very real problem in emerging democracies when a single party state moves towards political plurality and democracy and the civil service has to lose its party identity and serve a national, not partial interest.

The best answer I can offer is that a professional civil service has five key attributes:

   i. It is based on the merit principle.
   ii. It guarantees financial probity.
   iii. It respects political neutrality and impartiality under the law.
   iv. It is committed to serve any government well.
   v. It is accountable at all levels.

All these attributes sound easy to achieve, but none is easy to achieve in the adverse conditions common to the new democracies. Thus, in one such country the constitution calls for a 'balanced civil service', i.e. balanced as between racial groups. Is this to be made compatible with the merit principle? How can financial probity be consistent with the starvation wages paid to civil servants in some countries? If basic human rights are ignored, can a civil service profess to be totally neutral and impartial? Should a professional civil service serve with commitment if government declines into tyranny? How can a civil service be accountable if there is no democratic and effective government and legislature to account to? When it comes to defining a professional civil service, we are fortunate in the UK – since we have had a long time in which to evolve our answer.

III. How to create a professional civil service?
I now confront an even more difficult question. In the UK we have been developing a professional civil service for nearly one hundred and forty years, since the Northcote-Trevelyan reforms of 1854, through a process of administrative direction and convention. We are currently putting it through the mincing machine of 'agency' development, which a World Bank official described as 'a revolution in Civil Service management'. What should Hungary or Bulgaria do? Or Namibia, Poland and Laos, when they want what we take for granted and need it tomorrow? What useful answer can we in the UK give? One answer is to send a copy of Estacode, the Civil Service Orders-in-Council and Videos of the Yes Minister series (each of these has been seriously proposed). Another, all too familiar, answer is to send in the experts. One country had received 43 experts and had accumulated a debt of several million US dollars over seven years to pay for them when I went there with a colleague in response to a request for advice. I confess I have no simple answer as to how a new democracy grows its own UK style civil service.
   One of our former Prime Ministers, James Arthur Balfour, pointed out that British institutions could not be assumed to work elsewhere in the absence of the 'British humour'. So, a becoming modesty and disarming simplicity might be especially relevant. This brings me to the Caribbean calypso in my title, which was part of an attempt on my part to by-pass the constraint of 'British humour' and convey a simple practical message to a foreign government aspiring to administrative reform in our image.

GOOD PIANO DON'T PLAY BAD MUSIC
I have tried to distil guidance on administrative reform into four simple precepts. The UK reader will recognize the first two from our domestic experiences:

   i. *If it ain't broke don't fix it; if it is broke, don't polish it* – attributed
     to Mrs Thatcher, but I confess to adding the last bit myself.
  ii. *Don't make it perfect, make it Tuesday* – frequently quoted by Lord
     Rayner in his path-breaking role as Mrs Thatcher's Efficiency Adviser.
 iii. *Ownership is vital* – administrative reform cannot be created by an
     external presence, no matter how authoritative. It has to belong to those
     working with it, and should be firmly embossed 'country of origin is
     country of application'. The first chapter of the Fulton committee report
     is a perfect example in our own UK experience of how to destroy a good
     case: by stridently anathematizing the existing civil service managers at
     the highest levels, it alienated them and they never were committed to
     reforms which were really needed.
 iv. *Good piano don't play bad music* – I confess to authorship of this.

I hope that the point I am making in this last precept is obvious. A public service
is not, in a proper sense, efficient, no matter how capable and well-tuned, if it
is serving ends which are wrong by ministerial design or incompetence. Examples
are legion around the world. I invented my calypso because I wanted to impress
the point on a Prime Minister who aimed for a good public service but had plenty
of bad music about.

Let me give four examples of bad music in this sense:

   i. Publicly financed housing which is allocated not by need but by tribe,
     or party, or religion.
  ii. Surplus public land and property expected to be sold to political friends
     at below market price.
 iii. Public policy established on the suppression of information which would
     invalidate it.
 iv. Public assets allowed to rot by deliberate oversight (or simple
     unawareness of the fact that neglect costs money).

If ministers do these things, or condone them, or ignore them, what is the value
of administrative reform?

You might by now have guessed that I would choose examples like these not
from the Third World, but from the UK. I am referring to the allocation of council
houses in Northern Ireland in the 1960s, to the sale of surplus hospital land in
London in the 1980s, to the concealment of the true costs of nuclear power
generation until the City flushed it out in the course of privatization; and to the
deliberate neglect of the maintenance of the public estate since the Second World
War. If we can do these things in the UK – and we did – we must surely be careful
in what we say to the Third World and Eastern Europe about good governance
and administrative reform.

The question with which I wish to end – and the most difficult question of all – is
one that goes to the heart of good government – where is the safeguard against bad
music? Can the good piano, the efficient and well-tuned public service, really refuse
to play it? Will it refuse? On the evidence, no it won't always, not even in the UK.

Occasionally, the individual civil servant can, quite properly, prevent bad government. The accounting officer can refuse to go along with letting the political friend have a below-market price. The Head of the Statistical Service can refuse to leave publishable data concealed. There are other examples of a similar kind known to me in the UK. But it is easier to take that kind of stand in our, well-established, service with its strong conventions. In the new democracies, something more is needed. Here I pin my hopes on what may prove to be the most important administrative reform in the UK since the Second World War: the new public audit machinery. This consists first and foremost of the National Audit Office (NAO) and the Audit Commission. Their wide powers of investigation and their wide remit to go into Value-for Money as well as probity are crucially important. Even more important is the backing of a Public Accounts Committee. I also include in the new audit machinery the Parliamentary Commissioner for Administration and the Health Services Commissioner, with their wide powers of investigation, and their Select Committees.

This may seem a surprising conclusion to be put forward by a former Accounting Officer – the victim, as it commonly seems, of a hostile and pressing Public Accounts Committee of the House of Commons. But the reality is that this accountability of the Accounting Officer to the Public Accounts Committee is his principal weapon against political expediency. As an Adviser on Administrative Reform to several governments in very different situations, I see real difficulty in offering as a standard model our own civil service structure and practice; there is too much convention and sophistication. The principles are sound and worthy of implanting in an alien context, but only as a basis for domestic development. The Public Accounts Committee and the National Audit Office on the other hand, are already well established in an international context. If their counterparts are functioning, there is hope of improvement; but if they are not, there is little hope. An effective public audit system also answers the third part of the World Bank definition of good governance, that the public service is accountable to the public.

My reflections on these matters have, as you see, led me into some real conundrums, which are still topical here in the UK, and in some countries are urgent for action. When put together, they present a formidable examination paper, especially for new emergent democracies, but also and perhaps, as importantly, for us in the UK:

i. What is good governance?
ii. Can we claim to have it in the UK – and if not, why not and where might it be found?
iii. How does the Citizen's Charter and its related activities fit in? Or is it something else?
iv. What is a civil service for and what are its essential qualities for the UK? Are they the same for all the world?
v. If 'an efficient public service' does not exist, how can it best be built?
vi. How far does such an efficient public service go in underpinning good government? and how far does it go, should it go, can it go in preventing bad government?

CITIZEN'S CHARTER: THE CULTURAL CHALLENGE

ROGER LOVELL

INTRODUCTION

Much has been achieved over the past ten years in improving management within the civil service. Implementation of the Financial Management Initiative (FMI) (Treasury 1982) provided opportunities for greater clarification of objectives, improved management information and decentralization, and to a certain extent delegation, of budgetary responsibilities. Such improvements have been further enhanced by endeavours to create more appropriate operating structures for functional areas through the establishment of executive agencies under the Next Steps initiative (Efficiency Unit 1988). I would like to argue that if the improvements in customer service required by the Citizen's Charter (Treasury 1991) are to be effective and long lasting, changes in structures and systems will need to be accompanied by change in culture and management style.

MACHINE BUREAUCRACIES

Weber defined bureaucracy as, 'a form of organisation that emphasises precision, speed, clarity, regularity, reliability and efficiency achieved through the creation of a fixed division of tasks, hierarchical supervision and detailed rules' (Morgan 1986, pp. 24–5). Mintzberg (1983, p. 167) in describing the bureaucratic form of organization, notes, '. . . attempts are made to eliminate all possible uncertainty, so that the machine can run smoothly, without interruption.' He goes on to point out that by virtue of their design, they are structures ridden with conflict, and strict control systems are required in order to contain such conflict. Both definitions draw attention to the machine-like nature of the bureaucratic form of administration, which is based primarily on the scientific or rational/logical style of management. This style, is highly effective in a steady state environment with a high degree of certainty. Like all machines however they are developed to do a specific job and as such do not lend themselves easily to change.

From a behavioural viewpoint therefore such structures tend to have relatively

Roger Lovell is Head of Establishments at the Intervention Board and has recently studied Organization Development at Sheffield Business School.

reactive strategic systems, with staff having a routine view of working life, operating within a fairly authoritarian management style. Taken to its extreme, as Kets de Vries and Miller point out (1984, pp. 28–30), this can result in an atmosphere which becomes compulsive in having a preoccupation with trivial details, lack of spontaneity, meticulousness, avoidance of change through fear of making mistakes, obstinacy, an excessive reliance on rules and difficulty in seeing the wider perspective.

QUALITY OF SERVICE CULTURE

Walker (1990, p. 24) draws attention to the fact that if an organization is to improve the quality of its service successfully it needs to ensure that it is designed in terms of managing the service experience, is based on a clarity of vision, designed for the availability of the customers and provides the necessary degree of enablement to the staff for them to respond easily to customers needs. He does not believe that such organizations should be desk-bound, meetings-orientated and operated in an atmosphere of inspection and inhibition. He goes on to point out that staff, cannot give of their best to customers if they feel that they are not getting good service themselves from within the organization. To this end, the culture should be open, honest, and flexible, where full potential can be reached and with a desire to listen to customers and staff alike.

In similar vein Harrison (1986, p. 17) believes that the most appropriate culture in order to achieve quality of service is one with a support orientation. Such an organization motivates and bonds people through close, warm and trusting relationships. People therefore learn to trust and care for one another and the organization. The customer wants to be treated by worthwhile individuals where their opinions about what they want and need are respected. Or, as the Audit Commission noted in 1988 (Flynn 1988, p. 27), '...services need to be provided for the public rather than simply to it.'

CURRENT CULTURE

In comparison the machine bureaucracy, or role culture, is devised to provide an efficient service which meets the need of the typical customer. As such, customers often see the providers of the service as excessively rigid, uncaring and unresponsive to customers needs. The staff, on the other hand, often see themselves to be controlled and frustrated by the systems, structure and culture under which they work. The latter of course was recognized by Weber (Morgan 1986, p. 276) as placing employees in an 'iron cage' as a result of the impersonality of the role orientation of bureaucracies. Until the recent recession such frustration was reflected in the high turnover of first line staff, particularly in the South East. The highly routinized nature of operation is also no longer tolerable to a more highly educated workforce.

Commenting on the culture of the civil service in 1981, Howells pointed out:

There are many examples of successful and innovative management in departments, but they depend unduly on highly motivated individuals who behave

in ways not normally associated with civil servants. The system does not produce individuals like this as a matter of course; nor does it ensure that people in the second rank, on whom so much depends, behave similarly. On the contrary, there is everything to be gained by keeping up with the paperwork and by avoiding risk. Greater incentives are needed for individual managers to counter-balance the forces of inertia and caution (1981, p. 351).

Apart from realizing the importance of the creation of executive agencies in order to provide more appropriate operating structures, the Next Steps report fully appreciated the need to move towards a more participative form of management, in noting that the culture of the civil service is cautious and works against personal responsibility in that it puts a premium on 'a safe pair of hands', not on enter-prise. In moving towards a different approach it is useful to quote Hunt's (1986) distinction between the scientific, or rational, and the behavioural style of management:

> The rational model of management is about order, structure, defined strategy, management by objectives etc. The behavioural model is about creativity, innovation, gut feel, emotion and feeling. None of the latter fit well into the rationalist model and yet it is the release of such creativity that is necessary if staff are to provide better service to the customer (1981, p. 118).

The hierarchical culture of machine bureaucracies appears, as Block notes (1991, p. 30), to have been built on the belief that if no strong authority emanates from high places and outside the individual, then chaos reigns. Such a view appears to be based upon the theory 'X' view of human nature that if people are left to their own instincts and their own authority, they will somehow act in a way that runs counter to the organization. It appears to completely overlook the fact that power already exists in the hands of the person nearest the customer (who is often fairly well down the hierarchy). Managers have a right to *say* how things should be done but the people carrying out the work decide how they will *do* it. As shown above, too often the behaviour of staff towards customers reflects the way that they themselves are treated. Rather than continue with the myth of control therefore, far better for staff to use their power in a positive manner for the good of the organization, than in the negative pursuit of reacting against the system.

It would be a mistake however to believe that managers are solely to blame since, as Block points out (1991, p. 34), it takes two to sign the patriarchal contract upon which bureaucratic organizations are based. As far as the staff themselves are concerned the willingness to submit to authority satisfies the desire to be taken care of. Bosses as such therefore become surrogate parents recreating for staff many of the feelings and dilemmas their parents created for them in early years. If the full potential of staff is to be realized therefore, they need to become less dependent and more autonomous for them to reach in the organization the adulthood which they practice in every other part of their daily lives.

Ingrained in organizational cultures is the correlation between self-esteem and advancement. To this end, a significant amount of energy is used up endeavouring to seek approval from superiors, the result of which is impression management

where the reluctance to communicate bad news for fear the messenger may be shot, results in incorrect messages being received. The irony is that managers themselves do not want rivalry, competition and undermining action to take place among the units working for them. Instead of people doing things just to look good, they want people doing things because they have meaning for the organization and their customers. Likewise, managers appear to be so much better at detecting insincere and political behaviour amongst their superiors, than they are at recognizing it from their subordinates. At the same time, as Block notes (1991, p. 71), our most valued subordinates are those who take most responsibility for the unit. Unfortunately, the desire for impression further leads to a culture where mistakes if uncovered are criticized out of all proportion to successes; or else they are hidden for fear of discovery. Either way the opportunity to learn constructively from them is all too often lost.

CUSTOMERS

Flynn (1988, p. 27), correctly draws attention to a variety of differences between the public and private sectors in the provision of services and, in particular, the multiple and sometimes conflicting priorities of the public sector customers, for example, the general public, ministers and service recipients. He does not mention the internal customer. If organizations are to become more aware of the customers they serve, their internal services should be designed not, as they often are, with efficiency in mind but according to the needs of the customer. Everybody in the organization should therefore have a customer for their work. Not only would such an approach improve customer service but also it would serve to heighten the customer culture within the organization. To this end, the human resource area provides an excellent launching pad for such initiatives.

BRAIN DOMINANCE

Several authors, including Mitroff (1983, pp. 58–64) and Stamp (1986, pp. 27–32), have drawn attention to the use of Jung's personality type theory and particular management styles. Perhaps a simpler way of explaining this might be to use the Herrmann Brain Dominance model (1986; 1988).

Briefly the model divides the thought processes of the brain between the left (analytical) and right (creative) sides of the neocortex (or thinking cap), with the left (organizational) and right (emotional) sides of the limbic system, producing the following metaphor: (see figure on following page).

Obviously we have various aspects of all quartiles but in varying measures. The characteristics associated with quartile A are based upon an ability to analyse problems in depth according to the Aristotelean logic of the law of contradiction and the law of the excluded middle. In other words, the rationale taught within the education system, upon which most IQ testing is based and which is given a high profile in the selection of fast stream entrants to the public sector. As Stamp notes (1986, p. 28), such people like to bound their experience by following it through conceptual frameworks, by carefully ordering priorities and evaluating alternative courses of action.

FIGURE 1

<div align="center">

CEREBRAL

UPPER LEFT A	D UPPER RIGHT
Analytical	Conceptualizing
Technical Aspects	Integration
Problem Solving	Innovating
Financial Aspects	Creative Aspects
ANALYTICAL	*CREATIVE*
Administrative	Expressing ideas
Implementation	Writing
Planning	Interpersonal Aspects
Organization	Teaching/Learning
ORGANIZATIONAL	*HUMANITARIAN*
LOWER LEFT B	C LOWER RIGHT

LIMBIC

</div>

Source: *Improving individual and organisational performance· the whole brain concept*, N. Herrman, 1986, p. 8.

People with a tendency towards quartile B prefer to work in an orderly environment with clear guidelines and tend to be fairly pragmatic. In other words, they display many of the characteristics around which the execution of policy within the public sector is currently based.

The principal determinants of the support culture noted by Harrison (1986) above however, appear in the characteristics highlighted by the right side of the brain. Quartile C emphasizes the empathetic and caring qualities so necessary, along with good interpersonal skills, in dealing directly with customers. At the same time, quartile D demonstrates the qualities of originality and in particular acting in reflective and intuitive manner. Therefore, if service is to improve in the public sector, the traditional values of the role culture noted in quartiles A and B need to be supplemented by those in C and D, thus producing a culture more in tune with the needs of the individual and capable of releasing creative energy.

To this end, 250 Public Service volunteers undertook the Herrmann Brain Dominance exercise. Such psychometric tools provide four particular advantages. First, they enable individuals to gain greater self-awareness and help them to understand some reasons for their particular behaviour. Second, in providing an appreciation that human beings operate in different ways, they allow for greater tolerance within the organization. This in turn leads to a better blend in team building and in resolving conflicts as well as a better understanding of the use of intuitive behaviour. Finally, knowledge of such systems has been introduced to appraisal training in order to enable reporting officers to have a better appreciation of the reasons behind various types of behaviour.

CUSTOMER EXPECTATION

Relationships between Human Resource Management (HRM) services and their clients are notoriously strained whether in the private or public sector. Haywood-Farmer (1990, p. 3) defines quality as, 'services that meet customer preferences and expectations.' Customer satisfaction therefore requires a match between perceptions of service and the actual service delivered. The first stage in any such delivery is to establish customer expectations and define how realistic these are in relation to the resources available. We have tried to achieve this in two ways, investigating first negative stereotyping and second customer satisfaction.

DISCOVERY OF NEGATIVE STEREOTYPING

In the first instance an exercise in conflict resolution was undertaken between HRM and their departmental clients. The approach used was that recommended by Burke (1987, p. 7). Each side privately recorded their views of themselves, the views of the other side and what they thought the others thought of them. Both replies were then shown to the other side, after which a meeting took place with all participants present to identify problems and consider solutions. Both sides had fairly accurate ideas of how they were perceived by the other. Of more interest however, was the identification of negative stereotyping. In other words, each side was perceiving only the best part of themselves, denying their weaknesses and perceiving only the worst parts of the other group, denying that group's strengths. Such behaviour is of course prevalent in both the public and staff perceptions of public service as noted by Harrison (1986) above. Unless some form of cathartic experience occurs however it is difficult for both sides to recognize the situation and take action to solve it.

DISCOVERY OF CUSTOMER SATISFACTION

Secondly, in order to discover customer satisfaction with the current HRM service and seek views on future requirements, a survey of users was made. In carrying out such a survey in the first place it is necessary to offset natural anxieties from the providers of the service since, as with any form of change, there is an implication that the current service is inadequate. Despite a disappointingly low response rate, criticism was by and large objective and the overall satisfaction rate higher than the providers expected. Nevertheless, useful ideas were gained and respondents were written to in order to inform them of proposed action for their suggestions or giving reasons why it was not possible to act upon them.

   Direct consultation with staff was also achieved through a regular series of open forums. These allowed staff to question the head of service at open meetings at six monthly intervals on items of their choice in the HRM field. Such two-way communication permitted staff to be updated on events and major policy changes, whilst allowing them to provide first hand feedback on current practice and ideas for the future.

EMPOWERMENT OF STAFF

Empowerment is the process of instilling a sense of power and strengthening an individual's belief in his or her sense of effectiveness. As with customer service, the most obvious way in which to achieve this is to ask the person what they want since, as Conger and Kanungo point out (1988), empowerment is not just a question of external actions but also a question of changing the internal beliefs of people.

A series of workshops were therefore held with all staff providing the service in order to establish a common vision for the service. Instead of the dependent choice, as noted by Block (1991, p. 107), whereby the organization tells staff the vision, its values and how it wishes staff to operate; staff were given the opportunity to create a future of their own choosing which strongly emphasized the values that they thought were important and wished to belong to. Having done this, a series of service level agreements were established drawn up by the providers of the service. Such agreements promised a realistic service which could be provided with confidence. Not only were the levels set the equal of any targets which might have been imposed from above, but also the provision of ownership inherent in the process produced staff more committed to the provision of 'their' service. Thus customer expectation returned to a more realistic and definitive level against which future performance could be measured. This also served to create a winning atmosphere so necessary for staff morale.

DECENTRALIZATION AND DELEGATION

A programme of increasing decentralization and delegation of personnel responsibilities to line managers is aimed like all decentralized programmes at placing decision making where it can most effectively be made. The provision of adequate training and the issue of guidelines is obviously important in this area, in particular ensuring that training takes place involving the whole team operating as a single unit, rather than a collection of individuals which can easily occur if training is dispersed. The support of an HRM professional acting in a consultancy capacity is also important. Of overriding concern however is the delegation of trust with responsibility and the HRM professional's willingness to take a 'hands off' approach. Obviously certain areas of employment legislation need to be protected but the need to respond to the individuality of the situation is also crucial if the most effective service is to be provided.

ROLE SET ANALYSIS

In addition to the brain dominance awareness noted above, a further aim, identified by Block (1991), to overcome the political misinterpretation, between superiors and subordinates was carried out through a series of role set analysis exercises. By this method managers identified their many roles and diagnosed what they expected from the relationships with the people interacting with them in any particular role. Differences of interpretation were then discussed by the two actors involved leading to a clearer appreciation of the expectation and achievements of

the relationship. Perhaps not surprisingly views of superiors and subordinates rarely differed between the four grades of managers involved, again emphasizing the point about political understanding made above. The exercise however served as a cogent opportunity to raise such issues to a level of consciousness and awareness sufficient to allow something to be done about them.

CAREER DEVELOPMENT

Again adhering to the philosophy that the best way of empowering staff is to ask them what they want and act on their responses, a more participative career development scheme was introduced whereby all vacancies were advertised and staff given the opportunity to apply. Not only did this serve to allow staff opportunity to signal their interest and involvement but also provided greater opportunity for the organization to ensure that it had the right people in the right jobs and thereby make optimum use of the talent available. Like all services however it is important not to over-inflate customer expectations and ensure that they remain at a realistic level. This was achieved through the distribution of an extensive directory of jobs describing the job itself and the necessary skills, training and abilities to carry it out and interviewing 'unsuccessful' applicants, explaining the reasons behind the decision and providing career counselling for the future.

QUALITY CIRCLES AND AUTONOMOUS WORKING GROUPS

The use of quality circles can be of immense value in unearthing ideas from junior staff. Their use as an empowerment tool however can be quickly negated if managers do not act upon suggestions or fail to provide constructive feedback as to the reasons why action would be inappropriate. Over time the lack of direct reward to staff may also become a source of concern. Far better to endeavour to create more autonomous working groups whereby the staff have the power to implement ideas themselves either with or without the use of a facilitator. Again such action requires trust on the part of the manager and a move away from control towards partnership. Widening the span of managerial control also provides greater opportunity and responsibility which, despite initial mistakes due to inexperience, can quickly become effective as the power vacuum created is closed.

MOVEMENT OF TECHNIQUES FROM HUMAN RESOURCES MANAGEMENT TO OTHER AREAS

With the exception of career development, none of the other initiatives described above are peculiar to the HRM field. There is no reason why these and other empowerment techniques cannot be expanded to other areas dealing with both internal and external customers. What is required is a change in paradigm from the currently dominant way of viewing things with a control mentality to one of partnership. Whilst direct rewards may be more difficult to find in the public sector for encouraging staff to move in this direction, this can be more than offset by the use of psychic rewards and the feeling by staff that they are trusted and encouraged to provide improved service to the customer. At the moment their

wish to do so is often frustrated by generally outdated procedural practices built on the basis of the concept of role cultures and their mechanistic way of operation.

CONCLUSION

This article has endeavoured to point out the differences between the machine bureaucratic cultures operating in many public sector organizations and the customer responsive culture necessary if customer service is to be improved. It does not deny the advantages of the machine bureaucracy in a standard routine processing environment subject to little change and viewing customers as a homogeneous whole. It is however no longer appropriate if customers are to be treated according to their particular circumstances in an effective and efficient manner.

Irrespective of claims of the inappropriateness of a customer culture to the public sector, for reasons of legislative equity and the diversity and possible competing interests of its customers, many of the conditions necessary to empower staff involved in the provision of service can be applied to the sector. This is particularly so in the area of human resources management where the principles of employment legislation apply equally to the public and private sectors. Such moves are also in line with the movement from Personnel to Human Resources departments as outlined by Storey (1992, pp. 28–31).

The provision of empowerment to staff nearest the customer however, requires a radical change in the hierarchically controlled managerial culture currently in existence, in addition to greater appreciation of the skills available from the right side of the brain. Managerial control therefore needs to give way to a coaching environment with greater appreciation of interpersonal needs and the benefits of intuition and creativity. Despite the plurality of conflict necessary, and often healthy, in organizations, ownership of and agreement to a common purpose and set of overall goals needs to be achieved if the power prominent at the working level of organizations is to be turned towards the positive achievement of these common values. To this end, the ideas, concerns and values of staff nearest the customer need to be articulated, listened to and, where possible, acted upon.

Finally, as Block notes (1991, p. 163), 'The most popular fictional character in organizational life is "they".' 'They will not let us do it.' 'They will not make up their minds.' If we seriously want to transform organization cultures, we have to confront and understand our own wish to do so. To this end, it is for every manager to create his or her own unit vision and provide opportunities for greater trust and openness which will ultimately unleash the enormous energy and potential waiting to be used by bringing staff to organizational adulthood. To do so however, will require courage, determination and a willingness to appreciate the cultural changes necessary if the long term aims of Next Steps and the Citizen's Charter are to be met.

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ASSESSING THE PERFORMANCE OF DEPARTMENTAL CHIEF EXECUTIVES: PERSPECTIVES FROM NEW ZEALAND

JONATHAN BOSTON

This article examines the new approach to specifying and assessing the performance of departmental chief executives in New Zealand introduced in 1988 by the fourth Labour government (1984–1990). Drawing on the findings of a series of interviews with ministers, chief executives and other senior public servants conducted between late 1989 and late 1991 by a number of researchers, the article outlines the origins and implementation of the new policy framework, and evaluates its strengths and weaknesses. From the evidence available to date, it appears that the new model has won the support of most of the parties directly affected, and that it has enhanced the accountability of chief executives to their portfolio minister(s). However, the implementation of the new regime has highlighted the inherent problems of assessing the performance of senior personnel in the public sector and of imposing sanctions in the event of substandard performance. In addition, various issues of a constitutional nature have arisen concerning the roles and responsibilities of chief executives, the balance of power between chief executives and their portfolio minister(s), and the proper role of the Prime Minister and Cabinet in the new accountability framework.

INTRODUCTION

Improving the performance of the public sector has been a key objective of many governments during the past decade or so. A wide range of devices have been employed to achieve this end including the reorganization and commercialization of many departmental activities, the introduction of new output-focused financial management systems, the decentralization of management responsibilities coupled

Jonathan Boston is a Senior Lecturer in Public Policy at Victoria University of Wellington.

with new methods of performance monitoring and assessment, increased investment in staff training, and revised incentive structures for departmental staff (for example, a greater reliance on fixed-term employment contracts and the introduction of performance-based remuneration systems; see Caiden 1988; Hood 1990; Pollitt 1990).

In New Zealand, where the quest for a more efficient and effective public sector has been remarkably vigorous and comprehensive (see Boston *et al.* 1991; Scott *et al.* 1990; Wistrich 1992), particular atention has been given to enhancing the quality and performance of senior departmental managers. To this end, the fourth Labour government (1984–90) changed the procedures for appointing and remunerating permanent heads (or chief executives as they are now called), and established a new system of performance assessment. As a result, chief executives are now employed on contracts of up to five years in length. They are required to negotiate annual performance agreements with their respective portfolio minister(s). Their performance is monitored and assessed annually by their employer, the State Services Commission (SSC). The SSC is a government department and is responsible under the State Sector Act (1988) for negotiating the conditions of employment of public servants, reviewing the machinery of government and departmental performance, and providing advice on management systems and structures. Under the new policy regime, chief executives' remuneration packages are performance-linked. Poor performance can now result, at least in theory, in non-renewal or even termination of an employment contract. Without doubt, these changes mark a decisive shift from the traditional approach for holding chief executives to account. Under previous arrangements, for example, there was no structured system for monitoring or evaluating performance, ministerial expectations of their chief executive's performance were rarely formalized in writing, and no use was made of financial rewards and sanctions.

Such changes pose a variety of questions. What were the goals of those who introduced the new policy framework and have these goals been realized? What problems have arisen in trying to specify and assess the performance of chief executives? What are the advantages and disadvantages of having annual performance agreements between ministers and chief executives, and in what ways, if any, has the greater degree of formality affected working relationships, patterns of conduct, and the balance of power within the executive? Are ministers better able, as a result of the changes, to exert control over their departments and are chief executives more accountable to their ministers, or has little changed?

This article explores the origins of the new accountability regime for departmental chief executives in New Zealand, outlines its implementation and evolution since the late 1980s, and seeks to evaluate its strengths and weaknesses. The empirical findings reported here are based on the results of a series of structured, elite interviews with ministers, chief executives, senior officials, and informed observers conducted between 1989 and 1991 by a number of researchers. Whitcombe

(1990) interviewed 30 chief executives, 9 members of the Labour Cabinet, and various other informed observers during late 1989 and early 1990. Subsequently, in mid-to-late 1991 a team of officials interviewed most members of the National Cabinet and a large number of senior public servants, including most chief executives, as part of a review of New Zealand's state sector reforms (see Steering Group 1991, pp. 122–4). The present author also conducted a series of interviews with chief executives in late 1989, and has subsequently discussed the evolution of the performance assessment regime with senior SSC staff on a number of occasions (see Boston 1990, 1991). Given that the present policy framework has only been in place since mid-1988, it is too early to undertake a comprehensive evaluation or draw definitive conclusions. Hence, this article should be regarded as an interim report of a relatively novel experiment, the full implications of which may not be evident for many years to come.

THE ORIGINS OF THE NEW ORDER

Until the late 1980s, New Zealand followed the pattern in most other Westminster-type parliamentary democracies of not having a formal system for monitoring and assessing the performance of departmental chief executives (variously referred to as permanent secretaries, permanent heads, deputy ministers and chief administrators in different jurisdictions). Chief executives of departments were appointed by a special panel of senior public servants under the auspices of the SSC. Ministers had an informal right of veto, but this was rarely used. Once selected, a chief executive enjoyed tenure in the particular department to which he or she had been appointed until the age of 60: hence, the relevance of the previous title 'permanent head'. Most chief executives were appointed in their late forties or early fifties, and with few exceptions served out their term until the compulsory retirement age. Occasionally, chief executives would move to a more highly graded (and hence better paid) department. Early retirements for reasons of ill-health, accident, or incompatibility with a minister were relatively infrequent.

The conditions of employment for chief executives and other senior public service staff, including rates of remuneration, were determined by an independent body, the Higher Salaries Commission. Chief executives were paid in accordance with the grading of their department with no allowance being made for special qualifications or their level of performance (Paterson 1991). Indeed, although the SSC was responsible for the efficient and effective management of the public service, there was no formal system of performance assessment for senior departmental personnel, and there were no financial rewards or sanctions. Instead, the quest for high-quality departmental management was pursued via other means. For example, the process of appointing chief executives was designed to minimize the chances of adverse selection. Appointment panels were comprised of senior members of the SSC,

together with three chief executives drawn from a pool of chief executives elected every few years by their peers. In this way, those seeking top positions from within the public service (and there were generally few external applicants) were subject to the scrutiny of their superiors, some of whom (in most cases) would have known them and been well placed to assess their competence to handle the position in question.

Once appointed it was assumed that good performance could be secured without the use of financial incentives. The key ingredients, it was believed, were internal: a high standard of professional and personal ethics, commitment to serving one's minister to the best of one's ability, the desire to secure and maintain a sound reputation amongst one's peers and subordinates, and the intrinsic enjoyment of doing a good job. Moreover, it was assumed that those appointed to a chief executive's position would have learned the art of statecraft (in terms of being a good manager, ministerial adviser, and so forth) and become fully acquainted with the conduct expected of them through many years of apprenticeship within the public service (see Martin 1988).

The chances of poor performance were further minimized under the previous policy regime by virtue of the fact that departments were subject to tight input controls (for example, controls over programme expenditure, staffing levels and salaries) and regular scrutiny by the central agencies, most notably the Treasury and the SSC. Such restrictions clearly reduced the capacity of chief executives to make a mess of the running of their department. By the same token, they made it more difficult for chief executives to manage their resources in an efficient, effective and flexible fashion, thereby increasing the costs of public sector administration.

Finally, in the event that a selection panel made an unwise appointment, or a chief executive for one reason or another proved to be unsatisfactory, various means were used to deal with the situation. These included bringing in competent staff from other departments to serve in senior positions in the relevant department, pressure from peers on the recalcitrant chief executive to improve his or her performance or retire early, or a restructuring of the department to reduce (or eliminate entirely) the non-performing chief executive's responsibilities, thereby minimizing his or her potential to do damage.

Hence, despite the lack of a formal monitoring and assessment system, the previous policy regime was not devoid of devices for encouraging good performance. Critics, however, argued that these were inadequate (see Treasury 1987; Scott, Bushnell and Sallee 1990). Not only were they insufficiently comprehensive, they were also poorly developed and imperfectly applied. More important, it was argued that no incentive system can operate successfully in the absence of carefully specified performance standards and the subsequent systematic monitoring of performance against these targets. Yet no such performance standards were in place, so it was impossible to know whether a chief executive was performing well. Ministerial expectations of their department and its senior staff were frequently unclear. Departmental goals and performance indicators were poorly specified. And inadequate attention was given to the ordering of departmental priorities. To

compound matters, the comprehensive controls on inputs exercised by the central agencies meant that the lines of accountability were sometimes confused, or at least blurred. Thus, it was not always clear whether the responsibility for deficient performance or wasteful management lay with the chief executive or one or more of the central agencies (see Martin 1991). And if responsibility could not be properly sheeted home, then it became all the more difficult to ensure good government and apply sanctions fairly and consistently.

Another set of concerns focused on the system for appointing chief executives. On the one hand, critics of the previous order maintained that the selection process was biased against applicants from outside the public service and seemed designed to facilitate a self-perpetuating bureaucratic elite (or old-boys club). On the other hand, it was argued that ministers were unable to exert sufficient control over who was appointed to head their department, and that the system was insufficiently transparent to enable ministers to be held to account in the event that they did seek to influence who was appointed. Quite apart from this, it was claimed that giving chief executives (and other senior public servants) tenure meant that it was extremely difficult to remove those who failed to perform to the required standard. This lack of an ultimate sanction militated against good performance and reduced the accountability of the public service to the government, and ministers to Parliament.

THE NEW ACCOUNTABILITY FRAMEWORK

In order to rectify these perceived deficiencies, the reformers in New Zealand (especially those within the Treasury) drew heavily on some of the ideas in the recent literature on the economics of organization, most notably agency theory and transaction cost analysis, together with the concepts and principles of the new public management (see Hood 1990; Scott and Gorringe 1989; Scott, Bushnell and Sallee 1990). Consequently, the emphasis of the changes in public sector management was on clarifying principal-agent relationships, avoiding situations where agents were required to serve multiple, and potentially conflicting, principals, designing incentive structures that would maximize the chances of agents acting in accordance with the interests of their principals, and minimizing the transaction costs involved in the design, monitoring and enforcement of contracts. Or, to quote from a recent report reviewing New Zealand's reforms, the aim was to put in place a policy framework based on 'Clear, prior specification of intended performance, appropriate delegation of decision-making authority, subsequent monitoring of achievement and the careful application of incentives and sanctions' (Steering Group 1991, p. 60).

Crucial to enhancing departmental performance, according to the reformers, was the need to clarify the lines of accountability between the bureaucracy and the political executive. In this context, the relationship between ministers and departmental chief executives was singled out and highlighted as the critical link in the accountability chain. According to the new approach, each minister was deemed to be a principal with his or her chief executive being an agent. It was the task of the minister, as principal, to set the policy agenda, determine departmental

priorities, specify his or her desired policy outcomes and the departmental outputs necessary to achieve these outcomes, and monitor the department's performance in producing the chosen outputs. The task of the chief executive, as the minister's agent and departmental head, was first, to ensure that the department satisfied the minister's requirements, and second, to take responsibility for any failure to deliver the quantity and quality of outputs specified in the department's corporate plan. Ministers, in turn, were responsible to Parliament for choosing the outputs to be purchased from departments and for the outcomes of these choices.

The principles underpinning the reforms were given legal expression in two major pieces of legislation, the State Sector Act, enacted in early 1988, and the Public Finance Act, enacted a year later. With respect to the performance assessment of chief executives, various features of the new policy framework are worth highlighting.

In the first place, the new model places considerable emphasis upon the clarification of departmental outputs and the setting of performance targets. To this end, all departments have moved to a system of appropriations based on output classes (covering the provision of various goods and services). Further, each department is required to have a detailed corporate plan. This document, which must be approved by the relevant portfolio minister, specifies its outputs and the standards of performance required (in terms of quantity, quality, timeliness etc.) for the production of each output. In addition to the corporate plan, each chief executive is required by Cabinet to have a performance agreement with his or her portfolio minister(s) (see below).

To encourage greater efficiency and effectiveness, the reforms have given departmental managers more autonomy with respect to the choice of inputs and the management of resources. For example, as a result of the State Sector Act, chief executives have secured much greater freedom with regard to the issues of staffing and remuneration. Similarly, under the Public Finance Act (1989) chief executives have greater discretion in the management of departmental funds. Hand-in-hand with this decentralization of input controls, a revised system of departmental reporting, monitoring and performance assessment has been put in place. This includes new financial reporting requirements and annual reviews of departments' financial performance by the Treasury, and annual reviews of the performance of each chief executive by the SSC. The former Labour government also commenced a regular programme for reviewing the quality of departmental performance, but these were subsequently discontinued by the National government elected in late 1990.

New incentive structures have been developed in the interests of improving performance and minimizing the possibilities of opportunistic behaviour. As far as chief executives are concerned, the key changes include a move away from permanent tenure to fixed-term, renewable employment contracts and the introduction of performance-based salary increments. With only a few exceptions, the remuneration of chief executives is no longer determined by the Higher Salaries Commission and instead is the responsibility of the SSC. Under the new arrangements, chief executives are paid in accordance with their level of responsibility

(based largely on the size of the job). Conditions of employment for each position are negotiated between the SSC and the appointee but, unless approved, must be within policy guidelines set by the government. The usual pattern is for new appointees to receive around 95 per cent of their base salary with increases beyond this (up to a maximum of 110 per cent of the base salary) being determined on the basis of their performance (SSC 1990a, p. 18). A rating scale of 1–5 is used by the SSC for deciding the magnitude of salary increments. It is worth noting that the decision to use salary increments rather than annual lump-sum bonuses reduces the flexibility of the new performance-based remuneration system (Paterson 1991, p. 27).

Finally, procedures for appointing chief executives have been revised. There is now a larger role for ministers in specifying the requirements of the job, more extensive advertising beyond the public service, greater discretion for the State Services Commissioner to determine the composition of selection panels, revised criteria for use in the selection of chief executives, and formal provisions for the government (strictly speaking, the Governor-General in Council) to reject the recommendations of the Commissioner and to make its own appointment. Any such rejection must be disclosed to Parliament and is thereby open to public scrutiny.

Of these various initiatives, two will be considered in greater detail here: the introduction of annual performance agreements between portfolio ministers and their chief executives, and the new system for assessing the performance of chief executives.

PERFORMANCE AGREEMENTS

Explicit performance agreements between departmental chief executives and government ministers are relatively uncommon. Several Australian state governments have experimented with various kinds of agreements since the mid-1980s (Radbone 1988, p. 57), but apart from this there appear to be no other examples. Also rare are comprehensive systems for assessing the performance of chief executives (Whitcombe 1990).

The principal aim of introducing performance agreements in New Zealand in 1988 was to provide a vehicle through which each portfolio minister could specify, with as much precision as desired, what was expected of the chief executive in the forthcoming financial year. The agreement could then be used subsequently as a benchmark against which the chief executive's performance could be assessed. The 'Guidelines For Preparing Chief Executives Performance Agreements', developed by the SSC in early 1989, explained the rationale for such documents in the following terms:

> Performance Agreements exist for the purpose of clearly identifying the responsibilities and accountabilities that exist between the parties to them. The focus of Performance Agreements is on clearly identifying the accountability relationship of a Chief Executive with one or more Ministers. This focus helps the parties to reach agreement on what their priorities are, what range and level of performance constitutes success and how such success can be assessed. Performance

Agreements are also a means for providing a formal mechanism for the parties to exchange information on the progress that is being made (SSC 1989, Appendix 3).

Since the preparation of these 'Guidelines' in 1989, the SSC has given considerable attention to the issue of what the proper role, design and contents of performance agreements should be. To date, no less than three sets of guidelines have been issued to chief executives and ministers. The view currently being taken is that performance agreements should cover three main aspects of a chief executive's performance obligations. These are, in the words of the 1991 review of the state sector reforms:

– a personal performance agreement with the Minister and the chief executive which would record the objectives or tasks that both agree are the main priorities for the effectiveness of their partnership in the next period ahead and in which the chief executive is to have a direct personal involvement;

– a departmental operations agreement, consistent with the key elements of the department's corporate plan, covering the production of agreed outputs and ownership management; and

– a general management agreement, largely consistent across all departments, covering the responsibilities of the chief executive, including those in support of the collective interest (Steering Group 1991, p. 63).

These components require some elaboration. Following the introduction of performance agreements in.1988, there was some debate amongst chief executives (partly within the context of the Chief Executives Forum which was formed in 1988 in the wake of the State Sector Act to enable them to discuss issues of mutual concern, organize regular meetings and provide a vehicle through which matters relating to state sector management could be raised with the SSC and the government) over whether such documents should merely reiterate the contents of a department's corporate plan or whether they should instead focus on the personal contribution of chief executives to the operation of their department. This debate has now been largely resolved. The outcome is that performance agreements must be based on, and consistent with, the relevant department's corporate plan, but that they should also include provisions which specify the personal contribution expected of the chief executive. Further, the SSC has sought the inclusion of specific performance measures or indicators so that agreements can be used as a means for assessing performance. Such measures might include completion of a departmental review or restructuring, development of policy on a particular issue, or implementation of a new programme (including specification of target dates for completion where appropriate). Whatever the particular measures or targets, the performance agreement must be consistent with the government's broad policy objectives, and chief executives are expected to provide their minister(s) with regular reports on progress.

It is worth pointing out here that under New Zealand's system of government

it is common for chief executives of large, multi-purpose departments to have more than one portfolio minister. Also, because there are nearly 40 departments, but only about twenty members of Cabinet, ministers are responsible for an average of two departments and hence will have performance agreements with several chief executives.

All performance agreements are required to include two particular provisions. First, in recognition of the fact that ministers and their policies may change during the term of an agreement, a standard contingency clause was drafted by the SSC. This provides for amendment of an agreement if

> the work and/or environment of the department is so altered (whether as a result of Government or management decisions or otherwise) that the contents of the agreement are no longer appropriate, in whole or in part, to the work required or to the performance of the chief executive...Where major changes are made...performance assessment will recognise the changes...Where the performance being assessed occurs under more than one version of the agreement a fair and reasonable balance amongst the versions will be applied.

Second, following enactment of the State Sector Act, there was concern on the part of various academics and senior public servants that the Labour government's reforms, in particular the introduction of contract employment and performance-related pay, might make chief executives less willing to offer objective advice to ministers. After all, if the renewal of chief executives' employment contracts were threatened by the nature of the policy advice being offered, then they might alter their advice accordingly. Equally important, there was a concern that certain ministers might put pressure on chief executives to tender advice of a particular kind, or at least to ignore issues or lines of argument which, if subsequently published under the Official Information Act, might prove to be embarrassing to the government. (Under the Official Information Act (1982) all departmental reports, including policy papers, can be sought by members of the public. Although the Act provides grounds for the government to refuse to release information in certain circumstances, it is now usual for most policy papers to be released on request once the government has made its decisions on the relevant policy matters. Chief executives' performance agreements and the assessments of their performance undertaken by the SSC are confidential and are likely to remain so.) In either case, there was a danger of the professionalism and non-partisanship of the public service being undermined. In an attempt to allay such fears, the then Prime Minister, David Lange, wrote to all chief executives in May 1988 stating firmly that they had a responsibility to tender 'free and frank advice'. He also emphasized that provision of professional, independent advice would not influence a chief executive's re-employment prospects. As a means of reinforcing these remarks, the SSC decided that each performance agreement should include a provision stating that:

> The Chief Executive shall provide free and frank advice to the Minister without fear or favour. The content of the advice shall only be considered as a factor in assessing performance to the extent that it deals with facts or where the advice may be directly related to results.

It needs to be stressed that while ministers are involved in preparing performance agreements and evaluating the performance of individual chief executives, they are not involved in negotiating, or renegotiating, their contracts of employment; nor are they informed as to the contents of these contracts. The responsibility for such negotiations lies solely with the SSC, which must operate within the broad policy guidelines set by the Cabinet.

Although there is no statutory requirement for a chief executive to have a performance agreement, it has been the clear intention of both the Labour and National governments, confirmed by various Cabinet directives, for all chief executives to have one. Despite such directives and prime ministerial exhortation, universal coverage has so far remained an elusive goal. Nevertheless, the number of chief executives without a current performance agreement is declining. According to Whitcombe (1990, p. 60), 15 of the 30 chief executives interviewed in late 1989 and early 1990 did not have a signed performance agreement with their portfolio minister. The reasons for this included the fact that some chief executives were newly appointed, some had experienced a recent change of minister, and in several cases ministers were opposed to the new policy.

After the election of the National government in October 1990, many chief executives were slow to negotiate performance agreements with their new portfolio minister(s). This drew a sharp rebuke from the Prime Minister, Jim Bolger, in a speech to senior public servants in April 1991: ' . . only a very few chief executives have yet got together with their Ministers and attempted to adapt corporate plans and Chief Executives' performance agreements to reflect the new Government's policies and priorities. Bluntly, the situation is not satisfactory' (Bolger 1991, p. 127. Such criticisms appear to have had their desired effect and by the latter part of 1991 the situation had markedly improved. When the review of the state sector reforms was conducted during the spring of 1991, some two-thirds of the ministers interviewed had performance agreements with their chief executives (Steering Group 1991, p. 61). Of the remainder, two were in the process of preparing one. Moreover, according to the senior management survey which was conducted as part of the review, 23 (or roughly three-quarters) of the 29 chief executives who responded had either a current or recently expired performance agreement. Of those with recently expired documents, virtually all were in the process of negotiating or finalizing an agreement for the 1991–2 financial year (p. 62).

The intention of the SSC since 1988 has been for performance agreements to be prepared on an annual basis to coincide with the budgetary process. Hence, the idea is that they should be finalized at the commencement of the new financial year (which, as a result of the changes to the appropriations process in 1989, now starts on 1 July) following the completion of departmental corporate plans and the presentation of the budget. While in administrative terms such sequencing makes a good deal of sense, it fails to take into account the uncertainties and irregularities of politics, including ministerial resignations, Cabinet reshuffles and changes of government. In practice, therefore, there is a need for flexibility in the development of performance agreements and in determining the period for which they apply.

To date, the usual pattern has been for the first draft of each performance agreement to be prepared by chief executives. In so doing, account is taken of the SSC's guidelines, the statutory responsibilities of chief executives as laid down in the State Sector Act and the Public Finance Act, the department's corporate plan, and the various concerns and priorities that have been expressed by the portfolio minister(s) (Boston 1990; Whitcombe 1990). Once drafted the document is then discussed with the relevant minister, modified and refined as required, and signed by both parties. According to Whitcombe (1990, p. 65), the ministerial contribution to development and design of performance agreements has not been great. On the whole, ministers accept the drafts prepared by their chief executive(s) and do not seek significant modifications. Tough negotiations are not the norm.

In the first few years after their introduction, performance agreements diverged greatly in detail, length, presentation and approach. Some, such as those of the Secretary to the Treasury, were substantial documents which basically repeated the contents of the department's corporate plan. Others, by contrast, were only a few pages in length. According to the findings of the 1991 review of the state sector reforms, chief executives reported that performance agreements were becoming more detailed and generally contained more specific performance measures than had previously been the case (Steering Group 1991, p. 62). This is much as one would expect. However, it also poses the danger that performance agreements could become too detailed and unduly mechanistic. As the report of the Steering Group puts it:

> Performance agreements are unlikely to be successful unless they meet the real requirements of the relationship between a Minister and a chief executive. This relationship is likely to be jeopardized if too many requirements are placed on Ministers and their chief executives in writing them, either in their form or in their content. They are likely to be most successful if they are a joint under-standing of the main priorities for the Minister/chief executive partnership for the coming year which are revised during the year or as circumstances change (1991, p. 63).

Both Whitcombe (1990) and the Steering Group (1991) found considerable, but by no means universal, support for the concept of performance agreements amongst ministers and chief executives. According to respondents, one of the benefits of preparing such agreements is that it gives chief executives a better insight into the minister's goals and priorities, thereby assisting them in structuring the depart-ment's work programme (Scott 1990). The existence of a signed performance agreement also provides chief executives with a new management tool (i.e. in terms of giving direction to their department and determining the contents of the performance agreements negotiated with their senior managers). By the same token, ministers have been able to secure a better understanding of their department's outputs and the possible implications of changes to the quantity and/or quality of these outputs. As a result, it is maintained that some ministers have been able to exert greater control over their departments. Equally important, as performance agreements have improved and become more standardized, the SSC has found them

increasingly valuable for monitoring and assessing the performance of chief executives. Added to this, the introduction of a formal, regular and transparent assessment process has the potential to provide the SSC with a firmer legal basis for terminating a contract of employment in the event that this should be necessary. However, the full implications of this will not be apparent until a situation arises in which a termination of contract is sought by the SSC and contested by the chief executive in question.

Despite these claimed benefits, the new arrangements have not been without critics. According to the 1991 review:

> several Ministers acknowledged that some Ministers have yet to be convinced of the benefits of performance agreements as a means of achieving their own and Government's objectives. They also commented that performance agreements do not of themselves guarantee good performance, and that the agreements tend to focus on the readily measured aspects of performance rather than the more qualitative dimensions of the Minister and chief executive relationship. Because of this...the performance agreement might fail to capture some important elements of performance. This could include aspects on which the Cabinet as a whole places emphasis (Steering Group 1991, p. 61).

The scepticism of certain ministers has not been the only problem. In the initial period, the views of ministers and chief executives on the appropriateness and desirable content of performance agreements differed markedly (SSC 1990b, p. 8). Frequent Cabinet reshuffles and a substantial turnover of chief executives in recent years have also made it more difficult to implement the new system. For example, because of such changes only a handful of ministers in mid-1990 had the same chief executive as two years before. And all chief executives have experienced ministerial changes since then because of the change of government. Although high turnover rates do not render performance agreements unworkable, they certainly reduce their relevance and effectiveness as a management tool and accountability device.

A. The problem of asymmetrical information

A more serious issue relating to the system of performance agreements was raised by the team which reviewed the state sector reforms in 1991, namely, whether ministers have sufficient independent advice in the development and negotiation of performance agreements (see Steering Group 1991, p. 64). The argument runs something like this: most ministers are extremely busy and few are technically qualified in the policy area for which they have direct responsibility; hence, they have neither the time nor the technical knowledge to become heavily involved in the specification of desired outcomes, departmental outputs, and performance standards. To compound matters, virtually all the information needed to assess the current performance and future capacity of their department is held by the department. Consequently, in deciding upon the type, quantity and quality of outputs that it might be reasonable to expect their department to produce (and for the government to purchase), ministers are heavily dependent on the advice of their chief executive and other senior officials. Similarly, they are largely reliant

upon their officials to alert them to any administrative problems which may have occurred or which may be on the horizon. In short, there is a serious information asymmetry, with ministers being dependent upon their chief executive for advice concerning departmental performance standards and whether these standards have been achieved. There is thus a risk of chief executives exploiting their advantaged position in order to secure 'soft' agreements which can be easily fulfilled.

In the Steering Group's view, this situation is unsatisfactory and needs rectification. As a result, it suggested a number of possible solutions: the recruitment of additional staff to ministers' offices specifically to assist with the development and negotiation of performance agreements; greater reliance upon the SSC or other central agencies in preparing performance agreements; and the establishment of so-called management advisory boards, comprised of senior managers from the private and public sectors, to assist ministers in their negotiating and monitoring role (pp. 66–7).

Plainly, the Steering Group's view that the dice are loaded against ministers has some validity. But the problem of asymmetrical information, and hence the potential for opportunistic behaviour and bureaucratic capture, must not be exaggerated. To start with, performance agreements are based on the relevant department's corporate plan which in turn closely parallels the contents of the budget. In the process of developing the budget, each department's vote is subject to external scrutiny by the central agencies and various Cabinet committees. Consequently, the specification of a department's priorities, outputs and performance standards is determined via a collective process in which the individual portfolio minister is but one of the participants. It is unlikely in these circumstances that a chief executive would be able to secure departmental output requirements that were relatively undemanding, and thereby negotiate a 'soft' performance agreement.

In any case, ministers are not wholly dependent on their chief executives for information about their department's performance. Information and advice is available from a range of sources including their private office staff and parliamentary colleagues, the central agencies, outside experts, members of the public, and the offices of Parliament (e.g. the Audit Office and the Office of the Ombudsmen). Moreover, in negotiating a performance agreement, ministers are at liberty to seek the advice of the SSC or purchase the services of external consultants. For this reason, there is little prospect of a minister being completely 'captured' by his or her chief executive – unless, of course, a minister chooses to become so.

Having said all this, if ministers are deemed to require additional independent advice, then the solutions must be chosen with care. For example, expanding the size and capacity of ministers' offices runs the risk of making the relationship between ministers and chief executives increasingly distant and formal, and thereby less effective in transacting the business of government. What is more, if ministerial offices were significantly enlarged, presumably the heads of these offices will be required to have performance agreements. And this would raise many of the same issues as arise with respect to the negotiation and monitoring of chief executive performance agreements. As to the Steering Group's suggestion of establishing management advisory boards to advise ministers, there is a risk that this will merely

create another layer of bureaucracy and duplicate the operations of existing agencies. Nor is it clear why busy private sector managers employed on a part-time basis should be better able than ministers to come to grips with the operations of a large department and monitor the performance of its chief executive. This does not mean, of course, that they will be unable to provide an added, and potentially valuable, perspective.

B. The collective interest

Another criticism of the system of performance agreements, at least as it operated until late 1991, was that it placed too much emphasis on the horizontal relationship between chief executives and their portfolio minister(s) and too little on their relationship with the Cabinet as a whole (see Boston 1990). For example, neither the Prime Minister nor the Cabinet participated in the preparation or vetting of performance agreements. Nor did agreements have to include any provisions requiring chief executives to consider the broader interests of the government, cooperate with other departments, or coordinate the development and implementation of policy across the public sector. Likewise, no oversight of performance agreements was maintained by either the Department of Prime Minister and Cabinet or the Prime Minister's Office. (By comparison with the Department of Prime Minister and Cabinet in Canberra or the Cabinet Office in London, the Department of Prime Minister and Cabinet in Wellington is relatively weak, although its role and responsibilities have been boosted in recent years (see Boston 1992). The Prime Minister's Office is very small: it performs a mainly secretarial role and has little policy input.) This lack of any central monitoring or vetting undoubtedly gave the impression that chief executives were there to serve, and provide outputs for, individual ministers rather than to contribute, as Osbaldeston (1988, p. 60) puts it, 'to the collective management of the government' and ensure that their department operated 'within the context of the government's collective management requirements'. In terms of agency theory, therefore, the model, as operated between 1988 and 1991, implied that chief executives had a simple, straight-line accountability to just one minister (or principal), rather than being the partial agents of multiple and potentially competing principals. Although this straight-line approach to accountability was favoured by some within the Treasury, it sits uncomfortably with the conventions of the Westminster system under which a department's outputs, such as policy advice, are 'purchased' by the government as a whole, rather than by individual ministers.

While in opposition, senior members of the National party had expressed concern at the failure of performance agreements to take into account the collective aspects of Cabinet government. Once in office, therefore, National made a number of changes to the policy framework (Boston 1992, p. 99). As a result, performance agreements are now expected to include a requirement for chief executives to cooperate with other departments and consult them where appropriate. Fulfilment of this obligation is to be monitored by the central agencies (i.e. the SSC, Treasury, and the Department of Prime Minister and Cabinet) with the results being fed into the annual performance assessment process. Another new requirement is for chief

executives to give attention to the collective interests of the government in the management of their departments and in the formulation of advice. In order to give weight to this requirement, it has been announced that the Prime Minister, assisted by the SSC, will review performance agreements during the 1991-2 financial year 'for the contribution they make to the collective interest' (Steering Group 1991, p. 61). The main difficulty in carrying out such a review, of course, will be to establish with some precision the nature of the Cabinet's collective interests. Otherwise, the review team will lack any clear criteria for evaluation.

One further issue which arises in this context is whether performance agreements should be signed by portfolio ministers or whether it would be more appropriate for this responsibility to lie with the Prime Minister (or perhaps the Minister of State Services). Whatever the constitutional niceties of the distinction, in practical terms it probably does not matter who within the political executive signs the agreement as long as it is prepared in a proper fashion and its contents are satisfactory, both from the standpoint of the relevant minister and the Cabinet as a whole. Thus, assuming that due regard is taken of the government's broad policy objectives and that the document is consistent with the SSC's requirements, there is no good reason, in my view, why it should not be signed by the appropriate minister.

PERFORMANCE ASSESSMENT

Strictly speaking, if chief executives are seen as having a straight-line accountability to their portfolio minister(s), then it could be argued that ministers should make their own evaluations and apply the appropriate rewards and sanctions accordingly. Such an approach, however, would seriously threaten the independence and political neutrality of the public service, and render it impossible to ensure the application of uniform standards of assessment. Constitutional issues aside, most ministers are likely to need assistance in assessing the performance of their agents. As it happens, the Labour government accepted the need for a suitably independent and competent body to monitor and review chief executives' performance on behalf of ministers. In the absence of a better alternative, it was decided that the SSC should undertake this task.

Under the State Sector Act, the SSC is 'responsible to the appropriate Minister or appropriate Ministers for reviewing, either generally or in respect of any particular matter, the performance of each chief executive' (Section 43[1]), and 'shall report to the appropriate Minister or appropriate Ministers on the manner and extent to which the chief executive is fulfilling all of the requirements imposed upon that chief executive, whether under this Act or otherwise' (Section 43[2]). These provisions apply to about 35 departmental chief executives. For various, mainly constitutional, reasons four chief executives are not reviewed by the SSC: the Solicitor-General, the Controller and Auditor-General, the Commissioner of Police, and the State Services Commissioner.

By early 1992 the SSC had completed three rounds of reviews. Each round has been handled a little differently, with the SSC's Reviews Division (which is responsible for conducting the assessments) modifying its approach in the light of its

previous experience. The main changes have included: simplification and stream-lining of the evaluation process so as to reduce the time taken to complete the reviews; growing reliance on performance agreements in providing the measures against which performance is assessed; and a decision in 1990 not to make any further use of external consultants (partly because of the high cost and partly because it made it more difficult for commission staff to have 'ownership' of the review process and be held accountable for the results).

As to the mechanics of the review process, the current procedures adopted by the Reviews Division have three main components: the submission of a written self-assessment by each chief executive; the preparation of a draft evaluation of each chief executive's performance by commission staff on the basis of the requirements of the previous year's performance agreement and corporate plan; and a review of this evaluation by the State Services Commissioner in consultation with the relevant chief executive and her or his portfolio minister(s) (SSC 1990b, p. 23; Boston 1991, p. 100). A key part of each evaluation is to assess the extent to which the various objectives or targets set out in the performance agreement and corporate plan have been achieved. Attention is also given to the statutory responsibilities of chief executives as laid down in the State Sector Act and the Public Finance Act. In this regard, the Treasury is asked to comment on the quality of each chief executive's financial management during the review period. The process is conducted in such a way that chief executives have an opportunity to see their draft evaluation and respond to it before the document is finalized. They are also asked to account for any significant departures from their expected performance during the review period.

Unlike departmental evaluations, which have also been the responsibility of the Reviews Division, few people are involved in each assessment and there is little independent gathering of evidence (SSC 1990a, p. 21). Chief executives, for example, are not usually asked to comment on the performance of their peers in other departments; nor is any use made of subordinate review (e.g. the questioning of senior departmental personnel about the performance of their chief executive). Instead, considerable weight is given by the Commission to the evaluations provided by portfolio ministers. Thus, a positive verdict from a minister may well be sufficient to negate an otherwise mediocre record.

The evaluations provided by ministers, together with those prepared by the Reviews Division, are discussed by the Commisioner with each chief executive. Following this, an overview report is prepared by the Commissioner and sent, along with the chief executive's self-assessment and the Reviews Division's evalua-tion, to the Minister of State Services. It is subsequently forwarded to the relevant portfolio minister. Altogether, the process now takes about four months to complete.

These procedures have much in common with those employed by the federal government in Canada since the mid-1980s (Osbaldeston 1989; Privy Council Office 1987), in particular the use of annual reviews, a reliance on both self-assessments and ministerial evaluations, and the use of performance-related salary increments. Unlike New Zealand, however, the Canadian approach does not rely on formal

performance agreements between ministers and chief executives (or deputy ministers as they are called), although at the beginning of each financial year deputy ministers discuss their department's objectives with the minister and the Clerk of the Privy Council. Another difference lies in the use of a committee (known as the Committee of Senior Officials on Executive Personnel) for assessing the performance of deputy ministers. This body includes the heads of the Treasury Board Secretariat and the Public Service Commission, and is chaired by the Clerk of the Privy Council. Overall, therefore, the review process is more collegial than in New Zealand with a greater reliance on peer review and central agency perspectives.

Judging by the results of recent surveys, New Zealand chief executives have found the introduction of annual performance assessments useful, especially the insight they have given into their minister's views. According to the Steering Group, 'Chief executives...rated feedback from the Minister on performance as the most valuable element of annual performance review' (1991, p. 62). Most chief executives also believe that the annual reviews give them an added incentive to perform well and produce results. Whether this remains true in the longer term remains to be seen. For the SSC, the reviews have been helpful in identifying problems within (and between) departments and alerting senior staff to matters requiring remedial action.

At the same time, the new regime encountered a range of teething problems (Whitcombe 1990, pp. 66–9). The first round of reviews in 1989 was complicated by the the fact that many chief executives did not have performance agreements, and such agreements as had been signed were varied in their nature and content. To compound matters, the reviews took over six months to complete, and a further three-to-four months for the results to be translated into changes in remuneration. This meant that the performance of chief executives during the 1988–9 financial year was not reflected in their salary packages until almost the end of the 1989–90 financial year.

A more general and continuing problem has been that of actually assessing performance (see Osbaldeston 1989, p. 152). What does it mean, after all, to be a successful chief executive, and how is such success to be measured? Obviously, there are many possible indicators of performance, such as the quality of leadership exercised by the chief executive, the quality of the department's outputs, and the chief executive's capacity to work with ministers of widely differing temperament and political philosophy. Yet such indicators are all difficult to assess. Quite apart from this, there are added problems of assessing the performance of recently appointed chief executives (who obviously cannot be held responsible for the merits or otherwise of their department's operations) and of making assessments in a situation of rapid structural and policy change (which has been a feature of New Zealand's public sector during the period in question). Such problems have been readily acknowledged by the State Services Commissioner, Don Hunn:

> To some extent the Commission faces the same problems with the review of chief executive performance as with departmental performance review: that is the difficulty of establishing the facts about performance and making judgements about it in a situation where the Commission is not directly responsible for the performance itself. Clearly when personal reputation and reward are so clearly

involved in the outcome, the process has to be seen to be fair. The need for due process has been reflected in what is, by comparison with other administrations the Commission has surveyed, a highly formal procedure. The challenge is to see that the reviews do not become so bound up in procedure that they fail to focus on the key issue of personal performance or to make accurate judgements about it (Hunn 1991, pp. 16–7).

Equally difficult has been the application of rewards and sanctions. In theory, the new incentive structure is supposed to work by paying departmental chief executives in line with the remuneration packages received by their counterparts in the private sector. Further, high performers are meant to be rewarded by means of higher salaries while less robust performers are penalized by receiving no additional salary increment and/or the possible non-renewal of their employment contract. In cases of extremely poor performance, gross incompetence or illegal conduct the chief executive in question faces the possibility of his or her contract being terminated. In practice, however, things have not worked exactly as intended.

To start with, salary levels and the use of financial incentives have been heavily circumscribed by the harsh fiscal climate which has prevailed since the late 1980s (Dalziel 1992). Thus, according to the Steering Group (1991, p. 87), in the period between March 1988 and March 1991 the gap between the average remuneration (including non-cash benefits) of departmental chief executives and their counterparts in the private sector widened to about 30 per cent. What this means is that in a period when the responsibilities of, and demands upon, departmental chief executives have increased significantly, and when their jobs have also become less secure, their remuneration has fallen relative to their private sector counterparts. This is contrary to the intentions of the reformers and the expectations of chief executives. Given the likelihood that expenditure constraints within the public sector will remain stringent during the mid-1990s, it is highly doubtful whether the gap will be narrowed in the near future. To be sure, the actual pay of departmental chief executives in nominal terms has risen significantly, with (in broad terms) those heading large departments receiving pay increases substantially greater than those heading small departments. But whether these increased differentials are either necessary or desirable is open to doubt. Nor is it probably much comfort for New Zealand chief executives that a widening of the margin between the remuneration of public and private sector senior executives has been occurring in much of the OECD (Huijer 1990, p. 83).

If it has been difficult to reward chief executives as intended, it has also been difficult to apply sanctions. Although the new policy regime was supposed to make it easier to remove unsatisfactory chief executives, so far there is no evidence that this objective has been realized. For one thing, if chief executives are employed on five-year contracts, as has been the norm, and if the SSC allows a substandard performer to complete his or her contract, then such a person could be in office for a considerable period of time. Yet to terminate the contract early may well be costly (in terms of compensation), and potentially difficult both legally (for example, in terms of the evidence required to demonstrate incompetence) and politically (for example, in terms of public controversy and possible allegations of

political interference). To date, no chief executive has been sacked, although the performance of some has been the cause for concern. Under the previous policy regime, one of the methods of removing chief executives who, for one reason or another, were deemed to be unsatisfactory or politically unacceptable was to reorganize their department, thereby creating a vacancy at the top. Whether this approach will be used in the future remains to be seen, but it is certainly possible that in some cases it may be regarded as preferable to a more explicit termination of contract.

The difficulties of applying sanctions were noted in the 1991 state sector review:

> While the Commissioner may, with the agreement of the Governor General in Council for just cause or excuse, remove the chief executive of a department from office, such extreme action would only be taken in the case of a major transgression by the chief executive. The alternative extreme is to let a non-performer carry on until the contract expires and is not renewed. The term contract should not, on its own, however, be used to end the employment of a chief executive for reasons of non-performance. The performance management system should be developed to handle non-performance effectively (Steering Group 1991, pp. 86–7).

Unfortunately, the review team provided no guidance as to how this objective might be achieved.

Another issue which has arisen is whether the State Services Commissioner should have the twin responsibilities of making recommendations to the government on chief executive appointments and assessing their performance. Some critics of the present arrangements argue that combining these responsibilities runs the risk of generating a conflict of interest. That is to say, the Commissioner may be reluctant to acknowledge that a particular chief executive is performing poorly, let alone terminate that person's employment, because this would cast doubt on the Commissioner's judgement in recommending that person for appointment in the first place. To avoid such conflicts of interest, it is argued that another central agency, perhaps the Department of Prime Minister and Cabinet, should be given one or other of these responsibilities.

In my view, this argument has little force. The tasks of handling appointments and conducting reviews are undertaken by separate divisions within the SSC. Hence, although the Commissioner is closely involved in both processes, most of the work is undertaken by other staff who do not face such conflicts of interest. Equally important, the Commissioner has both a personal and professional interest in ensuring that poor performers are identified and that remedial action is taken. After all, if nothing is done despite mounting evidence of substandard performance, this has the potential to undermine the credibility of the performance review system, as well as reducing the confidence of chief executives and the government in the Commissioner. Quite apart from this, there are certain practical and administrative advantages – in terms of information flows and minimizing duplication – in combining the appointments and reviews functions within one organization. There is also the risk that separating the two functions, while resolving one conflict of interest, may simply generate others. Indeed, as a general rule, some conflicts of interest seem to be inevitable in public sector management. What is important,

therefore, is that such conflicts are recognized and that the behaviour of those making decisions is open to public scrutiny. In the final analysis, much will depend on the integrity and professional ethics of those charged with the responsibility of acting in the public interest. If the responsibilities in question are very great, then it may be prudent for the task to rest with a group of people rather than a single person. Instead of splitting the functions of the State Services Commissioner, therefore, a better approach might be to appoint a team of Commissioners, as was the case prior to the State Sector Act.

ASSESSING THE NEW POLICY REGIME

Has the new policy regime achieved its desired purposes? In particular, has the quality of chief executives improved? Are they performing better? Are they more accountable? And how has the new accountability framework affected working relationships between ministers and chief executives? Such questions, needless to say, are not easy to answer. Not only are there serious problems of measurement, but it is also difficult to determine cause and effect. After all, the recent changes to chief executives' appointments, conditions of employment, and performance assessment have been part of a much broader process of state sector reform, and to the extent that there have been improvements in the calibre and performance of chief executives the causes may have little to do with the State Sector Act. What is more, the present policies have only been in place since mid-1988, so it is too early to reach definitive conclusions concerning their impact and relative merits. Nevertheless, on the basis of the research undertaken since late 1989 it is certainly possible to provide evidence on what the key participants, namely chief executives and ministers, think about the new arrangements.

Of the 30 chief executives interviewed by Whitcombe (1990) in late 1989 and early 1990, most supported the changes inaugurated by the State Sector Act and thought they represented an improvement on the previous order. More specifically, the majority supported the new system of appointments and performance review, most favoured the idea of contract employment, and more than two-thirds supported the idea of performance-linked pay (notwithstanding the problems of implementation). Equally important, most thought the new policy framework had made them more accountable to their portfolio ministers than had previously been the case. The review team's survey in late 1991 yielded similar conclusions. Most chief executives thought 'that the reforms had achieved greater accountability of chief executives to Ministers in the sense that there was now clearer specification of the performance required and better reporting' (Steering Group 1991, p. 6). Feedback from chief executives to the SSC also suggests that most have been satisfied with the way the review process has been conducted and believe it provides a useful indicator of their strengths and weaknesses.

Despite these largely positive conclusions, some chief executives interviewed by Whitcombe criticized the emphasis which the new policy framework placed on the vertical relationship between chief executives and their portfolio minister(s). As noted earlier, these concerns have already led to a number of changes so as to encourage inter-departmental cooperation and consultation. Some chief executives

were also worried that the new regime might result in certain chief executives becoming identified too closely in public with their portfolio minister(s). This could, in turn, lead to claims that the public sector was becoming politicized. To date, however, there has been little evidence of such politicization occurring.

For their part, the nine ministers in the fourth Labour government interviewed by Whitcombe (1990, pp. 78–80) were more ambivalent about the merits of the new policy framework, especially the idea of annual performance agreements and performance reviews. Among particular criticisms were the difficulties of determining the desired standards of performance, the time-consuming nature of performance specification and assessment, and the risk that performance agreements would lead to greater inflexibility and rigidity. The Steering Group's report (1991) noted that similar concerns had been expressed by ministers in the current National government. For example, some ministers had experienced difficulties in coming to grips with the 'specification and measurement of performance, and monitoring and reporting of results' (p. 7). In addition, some ministers thought that 'the reforms had adversely affected the collective interest of government at two levels: strategic planning, including policy advice and decision making; and resource management' (p. 6). Generally speaking, however, there was broad support for the changes brought about by the State Sector Act.

From the evidence currently available, the new policy regime does not appear to have had a major impact on the day-to-day working relationships between ministers and chief executives. There is no evidence, for example, that such relationships have been undermined or severely strained by the new procedures or, conversely, that they have improved. Nor does the new accountability framework appear to have brought about any significant shift in the relative power of the respective parties.

CONCLUSIONS

As emphasized in this article, the changes to the accountability arrangements for chief executives in New Zealand are relatively new and are still in the process of evolution. Consequently, any conclusions at this juncture concerning their merits must remain somewhat tentative. Having said this, it is already clear that, notwithstanding the SSC's initial problems of securing support for the concept of annual performance agreements and devising a coherent system of performance review, the new model has proved to be reasonably robust. It has survived various Cabinet reshuffles and a change of government, and appears to have a broad base of support amongst both chief executives and senior politicians. Likewise, there is general agreement that the new procedures for specifying and assessing chief executive performance have made it easier (though not easy) for ministers to hold their departments to account. In particular, there is now a structured opportunity each year for ministers to comment on the quality of the services they are receiving from their chief executive (and department) and formal procedures for dealing with such criticisms as arise. At the same time, the major

contribution to improving the accountability of the bureaucracy since the late 1980s has probably come from Labour's radical refashioning of the financial management system rather than the use of performance agreements and SSC reviews. For without the decentralization of management responsibilities and the introduction of an output-based system of appropriations (and the simultaneous development of clearer performance standards and indicators), the utility of performance agreements would be significantly reduced. Whether the executive is now more accountable to Parliament is, however, another matter (see Boston 1990, pp. 20–2).

Similarly, to the extent that the performance of departments and their chief executives has improved since the late 1980s (and robust empirical evidence to support this proposition has yet to be produced), it is more likely to be the product of the wider structural and financial management reforms, rather than the result of the new system of appointments and performance reviews. Certainly it is doubtful whether the move to fixed-term appointments and performance-based remuneration has made much difference to chief executive performance. First, to date, the changes in the pattern of elite recruitment have not been substantial (Boston 1991 pp. 92–3). To some extent this simply reflects the fact that the pool of executive talent from which the SSC must normally choose is relatively small. Second, as noted, it has been difficult to apply the new system of rewards and penalties in the manner intended. Third, there has been continuing disquiet amongst ministers and within the bureaucracy at the performance of some chief executives, and so far the new incentive structure does not appear to have provided a remedy. Fourth, the international evidence suggests that senior public servants are motivated primarily by intrinsic rather than extrinsic incentives, and there is no evidence to suggest, nor any reason to suppose, that chief executives in New Zealand differ in this respect from their counterparts elsewhere (Paterson 1991). It does not necessarily follow from this that performance-based remuneration should be abandoned for top officials, but it does suggest that the potential gains from such developments should not be exaggerated.

In the near future, several important issues will need to be addressed by policy makers in New Zealand. First, should ministers be given more non-departmental assistance in defining their desired outcomes, choosing the outputs they need from their department, and negotiating their chief executive's performance agreement, and does the Steering Group's proposal to establish management advisory boards have merit? Second, how can the SSC better handle the problem of chief executives who under-perform? For example, what role might there be for short-term sabbaticals and training programmes, and should chief executives be guaranteed another job within the public sector in the event of their employment contract being terminated? These issues will require careful appraisal and sensitive handling, for the solutions adopted could have important implications for the roles and career prospects of chief executives as well as for the relationship between the public service and the political executive.

Finally, would public bureaucracies elsewhere (whether at the central or local government level) be well advised to imitate New Zealand's reforms, in particular the new accountability regime for chief executives? Here we must be doubly

cautious, not merely because of the uncertainty concerning the longer-term implications of the changes in New Zealand but also because of the problems of transferring policy regimes from one political culture (or constitutional order) to another. Nevertheless, the initial results of New Zealand's reforms are sufficiently encouraging to suggest that they deserve careful consideration by governments elsewhere. To be sure, there may be risks in adopting simultaneously all the elements of New Zealand's accountability regime for chief executives (for example, fixed-term contracts, performance-related remuneration, performance agreements with ministers, and annual performance reviews). However, governments dissatisfied with their existing arrangements may wish to experiment with one or more of these elements and evaluate the results. After all, without such experimentation there is no way of knowing how successful or otherwise such changes will be, and without a willingness to experiment there is little prospect of improvements occurring in the management of public bureaucracies.

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THEORIES OF LOCAL GOVERNMENT REORGANIZATION: AN EMPIRICAL EVALUATION

MARLEEN BRANS

Local government reorganization has been widespread throughout Europe in the postwar era. Three broad types of theory have set out to explain this phenomenon in a cross-national context; a welfare state perspective, a functional revolution perspective and a political perspective. The validity of these theories is assessed in the specific context of Belgium. The evidence suggests that none of the prevailing theories can make much headway in explaining the timing and form of reorganization. More promising explanations are to be found through examining broader values, and beliefs and more specific political constellations. The claim or implication that the major local government reorganizations of the postwar era were, in the different countries that experienced it, independent events produced by a common pattern of domestic social, economic or political development has the trappings of scientific theory without its true substance – the ability to explain.

INTRODUCTION

Since World War II local governments in a large number of advanced western democracies have experienced fundamental change. Few reforms have been as widespread as those that have taken place at the subnational level over the last few decades. Boundaries have been redrawn, structures, functions and financial relationships reformed.

The precise nature of local government reorganization has certainly varied from one country to the next. In some cases reorganization was mainly concerned with the administration of metropolitan areas. In other cases more far reaching reforms have been implemented to change the scale of the basic local government units by redrawing their boundaries or to create new levels of government. Reorganization has also been carried through to redistribute competencies between existing levels of government or to change their financial relationship. Finally, reorganization has also been aimed at changing the internal organization and functioning of local government units.

Why have so many advanced industrialized countries experienced some kind of reorganization on the local and intermediate level of government? The general

and widespread nature of the trend to reorganize local government suggests that there might be common causes. Even though there is no copious literature on the subject it is possible to identify three main perspectives of local government reorganization. The first one attempts to explain reorganization in terms of the developments of the welfare state. The second one identifies the urban and functional revolutions as the main factors behind reorganization. Finally, there is a political perspective on reorganization that can be divided into a behavioural and a structural approach.

The purpose of this article is to test these theories in the context of local government reorganization in Belgium. Most authors who put forward a general theoretical explanation of local government reorganization tend to choose a case study which is likely to confirm their theoretical hypotheses. Theories that purport to explain local government reorganization often explain local government reorganization within their own chosen countries. In this article I shall work the other way round and choose a case study that has not been studied before, Belgium, and has not been used by any of the theorists to support their views. It is thus a case that is not biased in favour of one or the other theory.

Testing the theoretical perspectives in the Belgian context has two benefits. It not only helps us to understand the wider dynamics of institutional change in a particular case, but more importantly it identifies the explanatory weaknesses and deficiencies of particular theories which claim to offer a general explanation of local government reorganization throughout the western industrialized world. It also draws attention to factors that theorists might possibly have overlooked. As such, this approach might help develop a more generally applicable approach to the subject.

A single case study as such will not lead to a general theory. A general theory can only be arrived at through multiple case studies and comparative research. However, this article hopes to demonstrate that by looking at a single case, without trying to limit the conclusions to one or the other theory, it is possible to explain local government reorganization even in countries which would otherwise be catalogued as deviant by supporters of the given theories.

The welfare state perspective

A view which has recently gained wide currency attempts to explain the dynamics of local government reorganization in western democracies by linking it to the development of the public sector since 1945. In this view, the reorganization of local government reflects the rise and decline of the welfare state and the political and policy changes associated with this (Dente and Kjellberg 1988, p. 15). The growth and changing role of government – the growth of the welfare state and changing patterns of economic intervention – brought about changes in local government (Ham *et al.* 1985, p. 196).

This basic argument has been put forward in a number of contexts, notably by Kiviniemi (1988, pp. 75–6) in Finland and Anton (1988, pp. 150–70) in the USA. However, Kjellberg offers perhaps the most elaborate and, for comparative purposes, developed exposition. Kjellberg distinguishes between two main perspectives

on the role of local government which have been competing with each other as the ideological justification for the reorganizational process of the last two or three decades: an autonomous model of national-local relations and an integration model. The autonomous model is related to a liberal ideology and reflects the traditional view of the relationship between central and local government (Kjellberg 1985, pp. 215–39). 'Its essence is a definition of the two spheres of government as relatively separated, with the local authorities' actions, unimpeded, as far as possible, by the central organs (Kjellberg 1988, p. 40)'. The role of the central state is only to monitor the activities of the local authorities without intruding in their domain. Similar distinctions between models of local government can be found in Leemans' (1970, p. 52) typology of dual, fused and split-hierarchy systems, later refined by Bennett (1989, pp. 12–15).

Although this perspective, in its purest form, belongs to the past, it still was a powerful element of the ideology surrounding local government institutions in most developed countries after the Second World War. However, the autonomous model had to compete increasingly with the integration model, which was more in harmony with the political and administrative realities. The integration model emphasizes the integration of the central and local spheres of government, perceiving the functional division between them in a flexible and pragmatic way, in that they have to be adjusted to the need of particular circumstances (Kjellberg 1988, p. 41). The purest example of that can be found in a dirigiste culture like France (Sharpe 1988, pp. 95–100).

Kjellberg then distinguishes three phases in the development of the welfare state, each with specific structural requirements at the sub-national level. The first phase emphasizes the widening of the social service basket, in an attempt to equalize the social conditions in society (Dente and Kjellberg 1988, p. 8 and Kjellberg 1988, p. 43). Although the roots of the welfare state in most countries are to be found in the nineteenth century, it was not until after the Second World War, that it entailed a substantial increase in the national minima for social security, education and health care. As the social service basket widened with the institutionalization of the welfare state, local government greatly expanded and became the main vehicle for the implementation of nationally designed social programmes. On the one hand, the importance of local government was clearly augmented as it gained leeway in the execution of various policies. On the other hand, the responsibility placed on local government by the institutionalization of social rights, and the efforts of the central government to standardize social services to minimize local disparities, created pressures for rational and efficient administration (See Rowat 1980, p. 595).

These pressures led to the structural reorganization of the basic local government units. Intermunicipal cooperation and the establishment of special-purpose units were two possible solutions to the administrative strains created by the increasing involvement of local authorities in national determined policies. But, as Kjellberg points out, the earlier the trend was set in motion and the more involved local authorities had traditionally been in social service delivery, the more likely it was that reorganization at this stage would resort to a third solution: amalgamation (Kjellberg 1988, p. 45). Small units of local government were administratively

too weak and not capable of providing an acceptable level of great variety of local services demanded by the requirements of the welfare state (Rowat 1980, p. 595).

In the second phase of the development of the welfare state, social distribution issues became intertwined with policies of resource allocation: '[. . .] as the welfare state evolved, public services not only expanded but also changed their aims and character' (Kjellberg 1988, p. 45). Kjellberg identifies this second phase with the 'Keynesian revolution', the conscious pursuit of full employment through control of the business cycle. Although normally associated with trends at the national level of government, in particular with macro-economic planning, Kjellberg argues that it also had major repercussions at the local and intermediate levels of government.

He identifies two features in this phase of the welfare state that fostered reorganization. First, the articulation of regional and labour market policies involved local authorities in a wider spectrum of programmes and led to a close interlocking between the central and the local sphere. This trend led to both structural and functional reforms; particularly at the intermediate level of provinces and regions. As the problem of coordination within the government grew, planning techniques and institutions were put on the agenda. In contrast with the amalgamations of the earlier period, the reforms of the second period were incompatible with the autonomous model and favoured the integration model (Kjellberg 1988, p. 46).

Finally, Kjellberg argues that the third phase in the welfare state development saw the 'overload' of the public sector; the demand for more active economic steering; various financial reforms; and a reconsideration of the financial intertwining between central and local government. 'In the interventionist state that now took shape, the distributional aspects became tied not only to the issues of resource allocation, but also to the goal of economic stabilization, that is, to the control of aggregate demand and consumer spending' (Ashford 1980 quoted in Kjellberg 1988, p. 46). In many countries, local government units became a prime motor for the expansion of public activity. In many cases, their expenditures grew at a higher speed than those of the central government (Ham *et al.* 1985, p. 99). It is obvious that local government was centrally involved in the attempt to control public finance (Ham *et al.* 1985, p. 47).

The urban and functional revolution perspective

This perspective on local government sees reorganization less as the consequence of the growth of the state and the changing content of its policies and more as a consequence of urbanization and the growth in functions of local government. This argument is most eloquently put forward by L. J. Sharpe. In Sharpe's approach, the roots of the local government structural reorganization lie not in the functional needs of the welfare state but in urbanization of society and functional revolution of local government (1988, p. 93).

The functional revolution here refers to the expansion of local government services as opposed to the development of the welfare state in general. According to Sharpe, one of the most remarkable aspects of the growth of the postwar western state has been that a greater part of that expansion has usually occurred at the

subnational level (p. 92). Sharpe points out that, by 1973, in most of the advanced industrial states, the subnational level absorbed a higher proportion of the total expenditure than the central government. 'The postwar period has marked a decisive decentralist shift on the balance of functional scope, if not necessarily power, in the modern democratic state; this shift has almost certainly been an important factor in the perceived need to redesign the structure of local government (p. 94).'

Urbanization is the second important factor in Sharpe's explanation of types of local reorganization. Society has become increasingly urban or suburban. In extreme cases suburbanization has merged formerly separate towns and created huge urban agglomerations. 'Suburbanization has been as much a distinctive characteristic of the postwar advanced industrial democratic state as the growth of the scope of its sub-national governments (pp. 94–5).'

In the light of urbanization and the functional revolution, Sharpe identifies two objectives of local government reorganization: a socio-geographic objective, linked to the urban revolution, and a service-efficiency objective, linked to the functional revolution. In general, the socio-geographic objective seeks to accommodate the rapid urbanization which created acute problems because of the enormous expansion of suburbs made possible by sustained economic growth, relatively cheap mass public transport and the expansion of car ownership. 'Local government boundaries had not kept pace with this suburbanization so that they no longer correspond to anything like the actual emergent population settlement pattern' (Sharpe 1979, p. 35; see also Bennett 1989, p. 40). The dominant settlement form, as Sharpe points out, is now the urban service centre and its so-called hinterland (p. 35). The socio-geographic objective aims to overcome the problems of 'underboundedness'; where activity space crosses over many local government boundaries creating spill-overs and a confusion of lines of representation (Bennett 1989, p. 35). Functions in fields such as planning, public transport, highways, traffic management, sewerage and housing (Sharpe 1979, p. 35) could be more efficiently undertaken only. if their jurisdiction covered the whole of the city and its hinterland. Moreover, the burden of taxes flowing from the density of services in the service centre should be equalized throughout the whole of the centre-hinterland area. In addition to this, Sharpe argues, the objective linkage of town and hinterland generated a subjective community of interest among inhabitants of the area, through the formerly mentioned links of employment, shopping and social activities (1988, p. 104). Sharpe's argument here reflects a widely and long-held view of the objectives behind reorganization (Leemans 1970, p. 56 and Rowat 1980, pp. 1–3).

Sharpe's service efficiency objective reflects the belief that larger administrative units are more economically efficient since they can obtain maximum benefits and savings from economies of scale (see also Bennett 1989, p. 35) especially, Sharpe argues, in management and cost control (1988, p. 108; see also the concept of 'optimal catchment area' in Leemans 1970, p. 45). In addition, service efficiency objectives reflect a desire to improve the capacity of local governments to cope with the increase in their functional scope (Sharpe 1988, p. 104). It aims to improve

the quality of local government services by enlarging the average population and resources (Sharpe 1979, p. 35). The scale of existing units is in this view insufficient to enable them to provide services to accepted standards. As Leemans (1970, p. 83) similarly argues, the expansion of municipal functions proved that small communities were inadequate. They lacked financial resources, trained staff and did not attract councillors able to meet the demands of modern municipal administration.

The service efficiency objective of local government reorganization induced pressures for larger administrative units and led to the amalgamation of the basic local government units in the 1960s and 1970s in Scandinavia, Germany, Britain, Belgium and the Netherlands. Where amalgamation was considered too drastic a reform, Leemans (1970, p. 83) argues, intermunicipal coordination was the alternative by which local government units attempted to overcome their problems.

While the impetus for reform may be primarily shaped by these two objectives, Sharpe (1979, pp. 95–100) argues that the *form* of local government reorganization also seems to be affected by the nature of the central-local relationship in each country. He draws a distinction between the napoleonic and non-napoleonic groups of states corresponding with Bruhns' (1980, p. 554) differentiation between centralized and decentralized systems and Leemans' and Bennett's between fused and dual systems (Bennett 1989, pp. 12–13).

By Napoleonic, Sharpe (p. 96) means that group of states that follow the pattern of central-local relationship that finds its clearest form in France. The state is divided into fairly uniform jurisdictions that are larger than the basic units of local government, the 'departement' in France, the 'provincie' or 'province' in the Netherlands and Belgium. Over these units presides an appointed civil servant – the 'prefect' ('gouverneur' in Belgium, 'Commissaris der Koningin' in the Netherlands) – '[. . .] as a kind of *primus (sic) inter pares* in relation to both the elected local government and a series of additional out-stationed central technical personnel who provide local services within their jurisdiction (Smith 1985, p. 153).'

In these states – according to Sharpe, France, Belgium, Italy, Spain and perhaps Greece – the basic local government structure has remained largely intact, except for the Belgian case in which the number of communes was reduced from 2500 to 596 in the 1970s. The imperatives of the functional and the urban revolution however, are said to have been accommodated by inserting a new level of elected local government at the level of the region.

The non-napoleonic group of Western European states have a different internal mode of intergovernmental relations. In Leemans and Bennett's terms their system is dual. Instead of functional hierarchies extending down from the centre to each locality, the central and local level are more like strata. The local government strata responsible for making their own policies quite independently from the centre; the centre confining itself to broad policy, technical advice and financial assistance. Although the central-local relationship is never discrete, it is not as interwoven as in the napoleonic group. In sharp contrast to the latter, local government units in the non-napoleonic group are functional systems in which service delivery and functional capacity are very important. This tradition, Sharpe concludes, facilitates

an outright restructuring to meet specific functional criteria derived from urbanization and functional growth.

Political theories of reorganization

Neither Kjellberg nor Sharpe can be accused of ignoring political factors in the process of reorganization. Kjellberg (1988, p. 66) concluded that his structural analysis in terms of the development of the welfare state should be supplemented with a behavioural analysis of the role of parties, interest-groups and administrative agencies in local government reorganization. Sharpe (1988, p. 103) argued that motives for local government reorganization do not necessarily arise directly out of the consequences of the urban and functional revolutions, but often out of party-political interests. And according to Rhodes (1980, p. 575), governments' emphases on rationality are sometimes political moves to turn local government reorganization into a non-policy issue in order to arrive smoothly at a consensus.

Of course we know that the precise form of local government reorganization is shaped by the values, perceptions and actions of the individuals and groups directly involved. As such a behavioural-political approach to understanding reorganization is bound to fit almost any case. Studies of the reorganization process rightly stress the political advantage that appears in a variety of guises throughout the negotiation of reform (Dente and Kjellberg 1988, pp. 5–6 and Ross, p. 178). O'Leary (1987, pp. 193–217) examines the abolition of the Greater London Council and concludes that neo-liberal and neo-conservative ideology must have contributed to the climate in which abolition was decided and implemented, although he stresses that such an argument cannot really explain why abolition actually came about.

In reaching such a conclusion O'Leary underlines the limits of a political explanation when understood in terms of party political preferences or electoral advantage. Such an approach is useful since it sheds light on how reorganization comes about, which actors are involved with which values and objectives, and who influences the decision-making process. However, this approach does not tell us why reorganization of local government started in the first place. It does not explain why certain kinds of reforms are considered and others are not, and why at a certain point in time they are put on the political agenda.

However, structural political theories seek to establish that political advantage of one form or another is, if not the prime cause behind the change, then certainly one of the most important factors shaping the reform and its implementation. This assumption is seen most clearly in Marxist analyses. Centralization is this view has been interpreted as a state response to the needs and imperatives of monopoly capitalism. In particular, the creation of large metropolitan local government units is said to spring from the requirements of monopoly capital. In order to protect the profitability of its urban investments, monopoly capital needs massive expenditures by the state on services and infrastructure. The rationalization of the metropolis requires access to the resources of the suburbs (the inner cities are confronted with declining tax bases) and consequently the destruction of their autonomy (Smith 1985, p. 41 and O'Leary 1987, p. 210). Markussen (1978, p. 207)

argued that this may cause a struggle between '[. . .] suburban subclasses wishing to preserve their local public sector autonomy and large capitalist interests pushing for planned, metropolis-wide governments.' A possible solution to this might be the creation of larger *ad hoc* jurisdictions for land use and infrastructural planning in the interests of monopoly capital, while public consumption and class reproduction is left to existing fragmented authorities (Smith 1985, p. 41). Ultimately, the relationship between the territorial levels of the state will be determined by the priority given to accumulation or legitimation.

Dearlove's (1979) study of the reorganization of British local government in the 1970s develops a structuralist perspective. He argues that reorganization should be situated in a wider societal context: '[. . .], a political perspective on reorganization has to recognise that new boundaries, new structures and new processes all have implications for the access of different interests to local government, and therefore for the likely direction of public policy (p. 14)'. Specifically, Dearlove argues that reorganization could alter the class composition of councils, in the guise of ensuring a renewed supply of 'high calibre' councillors and officials. Thus, the redrawing of local government boundaries is mainly inspired by the need to keep the working class out of local government, contain local expenditure, and enhance the control of the dominant interests.

Dearlove defines the problem of local government as a facet of the general problem of the public sector in a capitalist economy. In line with O'Connor and others, he points out that 'the problem of local government is part of the general problem which requires the capitalist state to fulfil the two basic and often mutually contradictory functions of accumulation and legitimation (p. 256).' Local government reorganization is in this perspective seen as an attempt to resolve the tension between capitalism and democracy.

Each of the three broad approaches focuses on different empirical characteristics of the reorganization process. Kjellberg's theory requires evidence of the connections between specific phases in the welfare state development and particular types of reorganization. Thus, one would expect connections between: the widening of the social service basket and structural reform of the basic local government units; the growing emphasis on planning the business cycle and both functional reform of the local and intermediate level of government as well as structural reform on the intermediate or regional level; and between the concern of central government to contain public expenditure and the reform of financial relationships. If these links are not found, Kjellberg's general theory would fail, suggesting that he overlooked other important explanatory factors.

With Sharpe's approach, the presence of the socio-geographic and service efficiency objectives in reorganization would confirm the first part of his argument. In addition, the actual reorganization should fit Sharpe's dichotomy between napoleonic and non-napoleonic states. If not, again one would try to account for the deficiencies of Sharpe's general model.

Political perspectives on local government reorganization are not easily confirmed or falsified. Many political motives are indirect and imperceptible. Identifying motives involves a thorough study of the decision-making process, the objectives

of the actors, and the results of the political process. If a particular reorganization has been inspired by electoral opportunism it should be visible in the changes in power relationships after the reorganization.

A neo-marxist perspective is, a priori, not falsifiable. However, it is possible to examine the socio-economic structures of society and see if they might possibly have inspired local government reorganization. It might be possible to find evidence confirming the neo-marxist perspective, even if we cannot refute it.

REORGANIZATION IN BELGIUM

The original administrative structure of the Belgian state as established by the 1831 Constitution is quite simple. It is made up of three government levels; the central level and two subnational levels: the provinces (9) and communes (2,600). The main policy functions of the provinces were vocational training, drainage and some roads. As agents of the state, the councils elect a number of senators, nominate candidates for certain judicial appointments and submit opinions to the central authority on matters concerning municipal administration (Harloff *s.d.*, pp. 19–20). The provincial council nominates an executive committee (standing deputation) which is presided over by the provincial Governor, who is appointed by central government and acts for the Minister of the Interior. His basic responsibilities are the execution of state law and national regulations and ordinances and supervision of the general administration, dealing with emergencies, the preservation of public order and generally serving as an ambassador for the national government in his area. Unlike the old French prefect, he does not coordinate local field services of central ministries, nor does he have such extensive powers of interference in the running of local government (McMullen 1979, p. 215). The legal status of the commune was guaranteed by an 1836 law which provides for the integrity of its territory, the direct election of its governing authority, the regulations of its own affairs, openness in the conduct of its affairs and administrative tutelage over it on the part of both the provincial and central governments (Mughan 1985, p. 278).

The administrative organization of the Belgian state in terms of the 1831 Constitution was one of a decentralized unitary state. Since the late 1960s this state has undergone major changes: a systematic structural reorganization of local government and the introduction of a regional level of government to transform the unitary state into a regional and quasi-federal one.

Reorganization of local government

As early as 1937 it was planned to amalgamate small communes (Maes 1988a), as well as to establish a form of second-tier government in the greater urban areas of Antwerp, Brussels, Gent, Liège and Charleroi (Holvoet 1937). During the war, the occupying Germans amalgamated communes in these areas. After the war, these measures were reversed and the subject of local government reorganization became taboo (Herremans 1982, p. 733). In the late 1950s, however, the issue of local government reorganization was put back on the political agenda. The 1958

government, supported by the Central Business Council, declared that it would encourage the amalgamation of small, non-viable communes and redefine the status of the greater urban areas.

In 1961 a law was passed to encourage mergers between small communes. In the first wave of amalgamation between 1961 and 1971, the number of communes fell from 2,663 to 2,359 (with most mergers in Flanders). Nevertheless this wave still left 80 per cent of the communes with fewer than 5,000 inhabitants (Maes 1988a, p. 188). In 1971 a new law was passed. Several Ministers of the Interior examined proposals for possible amalgamation. No agreement could be reached. In 1974 however, the Tindemans government stated its firm intention to institute a large scale amalgamation of communes and gave effect to this in a decree of 17 September 1975, which came into effect on 1 January 1977. The number of communes was reduced from 2,359 to 589 (including the seven communes of the Antwerp region which were amalgamated in 1983). Only 118 communes were excluded from this large scale operation.

In the late 1950s and 1960s numerous proposals were put forward which would eventually lead to the adoption of the Act of 26 July 1971. The Act was meant to set up two types of multi-purpose agglomerations of communes, one in the five greater urban areas and one in less densely populated areas, known as federations. Both involved the compulsory association of groups of communes into a new area-wide level of government. The goal of this reorganization was said to 'enable new units to fulfil on a supra-local level the tasks with which the single communes can no longer cope' (Parl. Doc. 1971, p. 733). The new agglomerations and federations would have certain functions transferred to them by law – public transport, planning, land-use, refuse collection and disposal, fire and ambulance service. In addition, the member communes concerned might agree to transfer other functions. The 1971 Act established the Brussels' Agglomeration encompassing 19 communes, and five federations in the surrounding area of Brussels. The organization and boundaries of the other four greater urban areas were to be settled by later legislation.

A range of specific regulations regarding the government of Brussels sought to deal with the tensions between the two Belgian communities. In general, the Brussels' Agglomeration proved to be a very controversial subject. In practice, its competencies remained very limited. Eventually the agglomeration was only concerned with four technical tasks: fire service, refuse collection and disposal, ambulance service and the regulation of taxis. In addition, although the council was meant to be elected every four years, after the first election no more took place. This democratic deficit led to the questioning of the legitimacy of the institutions. However, although the federations around Brussels were abolished in 1975, the Brussels' Agglomeration lived on until it acquired a more coherent status and role within the framework of a regionalized Belgian state (Maes 1983, pp. 109–12).

Reform of the unitary state
The revision of the Constitution in 1970, 1980 and 1988 brought about important changes to the unitary organization of the Belgian state. First, they introduced a

TABLE 1   The evolution of the number of Belgian communes per province and per language region

Year	1830	1850	1875	1900	1928	1961	1963	1965	1971	1983
Province										
Antwerp	142	146	151	152	154	148	148	147	144	70
Brabant	334	338	341	344	348	348	365	356	330	111
Flemish Brabant									203	65
Walloon Brabant									108	27
Brussels									19	19
Hainaut	242	427	435	441	444	443	452	444	435	69
Liege	326	331	336	342	374	369	355	339	317	84
Limburg	198	205	206	206	206	206	205	202	136	44
Luxemburg	190	195	205	225	233	233	233	231	229	44
Namur	343	346	352	361	366	366	366	345	345	38
East-Flanders	293	293	296	298	297	297	295	282	241	65
West-Flanders	248	249	250	248	253	253	244	240	182	64
Total	2,498	2,528	2,572	2,617	2,675	2,663	2,633	2,586	2,359	589
Dutch language region/Flemish region							1,124	1,094	906	308
French language region/Walloon region							1,495	1,448	1,409	253
German language region							25	25	25	9
Bilingual region Brussels							19	19	19	19

Source: Ackaert and Dekien 1989, p 16

FIGURE 1   *The Belgian institutional structure*

NATIONAL LEVEL	NATIONAL GOVERNMENT			
THE LANGUAGE REGIONS	GERMAN-SPEAKING REGION	FRENCH-SPEAKING REGION	BILINGUAL REGION	DUTCH-SPEAKING REGION
COMMUNITY LEVEL	THE GERMAN-SPEAKING COMMUNITY	THE FRENCH-SPEAKING COMMUNITY	J.C.C.* / Fr. C.C.* / Fl. C.C.*	THE FLEMISH COMMUNITY
REGIONAL LEVEL		THE WALLOON REGION	THE REGION OF BRUSSELS-CAPITAL	(THE FLEMISH REGION)
PROVINCIAL LEVEL				
LOCAL LEVEL	9	253	19	308

cultural linguistic regionalization. After the country had been divided into four linguistic areas – the Dutch, the French, the German and the bilingual Brussels' area – the Constitution recognized the existence of three cultural communities, namely the German, the Dutch and the French cultural communities, competent for cultural matters. The communities were to have their own institutions, called cultural councils.

Second, the basis of socio-economic regionalization was laid down in Article 107 of the Constitution, which recognizes the existence of three regions in Belgium: the Walloon region, the Flemish region and the Brussels region. The institutions and competencies of the cultural communities were fixed in the Constitution. The organization of their bodies and their competencies were to be decided by the national parliament. This task was not an easy one, as the further course of the regionalization clearly demonstrated. Tension focused on the controversial position of Brussels in the future Belgian state, severely hampered regionalization.

It was not until 1980 that a consensus was reached, and enabling legislation demarcated the Walloon and Flemish regions. Rules for their organization and functioning were laid down but only on the condition that the issue of Brussels be settled later. The Flemish and Walloon regions were granted their own legislative

body, executive and bureaucracy. In the mean time, the article in the Constitution which established the three cultural communities was amended. The word 'cultural' was deleted, because the communities had acquired responsibility for health policy, care and education; personal assistance and related scientific research. The competencies of the regions were to be: territorial development and town planning, regional economic expansion and employment, housing, public health and hygiene, water, hunting fishing and forestry, industry and energy and the organization and exercise of the procedures of administrative tutelage on local authorities.

As the future of the Brussels region was left out of the 1980 reform, its organization and functioning remained based on a 1974 Act; that is, the Brussels region was administered by a committee consisting of the Minister for Brussels Affairs and two junior ministers, one of whom had to be from a language group different to that of the minister (Harloff, p. 19).

Finally in 1988, the institutional reorganization of the Belgian state reached a new and probably final phase. The constitutional reform extended the competencies of the communities and regions and modified their financial system. Commentators argue that the Belgian state is now on its way to federalism. Agreement was finally reached on the status of Brussels in the new Belgian state. It is to be a city-region, not in a socio-geographic sense, but comparable to the German 'Stadstaten' – Hamburg, Bremen and Berlin – which are both units of local government as well as 'Länder' with the same competencies as the other regions plus the competencies of the former agglomeration. Its particular organizational features – division of the council into linguistic groups, the 'alarm bell' procedure and the guarantees in both council and executive to protect the Dutch-speaking minority – are the heritage of the 1971 Act on agglomerations (Brans 1988).

THEORIES OF REORGANIZATION AND BELGIAN EXPERIENCE

The welfare state perspective
In Kjellberg's view, the reorganization of local government is a necessary consequence of the development of the welfare state. In the first phase of its development, there must be a connection between the widening of the social service basket (basic welfare state programmes) and a structural reform at the district level: inter-municipal cooperation or amalgamation (1988, p. 48). In Belgium, the development of the welfare state did not result in local government authorities becoming the major vehicle for the execution of nationally designed policies. They were even pushed out of social service delivery. Before the war they were much more involved in social security programmes than after, e.g. unemployment benefits (Vanthemsche 1984, pp. 461–80). The urge to 'equalize the social conditions in society (Kjellberg 1988, p. 43) has not led in Belgium to a widening of the scope of local government, but of national government. The reasons were the need to achieve greater equity, uniformity and financial capacity. This point is clearly demonstrated by the way in which the Belgian social security system was set up. It was established in 1944 and the tasks of the National Office for Social Security were to collect the contributions of employers and employees and to distribute these among several sectoral

social security departments: pensions, sickness and disability, unemployment and family allowance.

Sharpe is correct to stress that the modern welfare state is largely about national transfers. Communes have not been involved in nationally designed welfare programmes. However, they have become involved in care for the mentally handi-capped, in education, and in youths and immigrants etc. Only in the case of public assistance can one say that local governments are involved in social service delivery. In 1925, Commissions for Public Assistance were introduced and each commune was required to create commissions to ease and prevent misery and to set up a medical hospital. These commissions were to be public institutions, with their members chosen by the local council. In 1977, the CPAs were replaced by the Public Centres for Social Welfare. These commissions were granted wider competencies to give not only material support, but also to offer psychological help and social guidance.

Although it is clear that this reform is of a functional nature, one has to bear in mind that it came about in the light of the amalgamation reform of 1976. Before then, proposals were put forward to establish intermunicipal commissions for public assistance to overcome local problems such as duplication of services and other inefficiencies by scale enlargement. Once the amalgamation had widened the scale of the communes, the need for intermunicipal CPAs had disappeared.

It is only here that Kjellberg's theory indirectly gets some support. He argued that the growing involvement of local authorities in social service delivery led to demands for scale enlargement to obtain greater effectiveness, efficiency and savings. This part of his argument is supported by the reform of the CPAs. It is not accurate to say, however, that the involvement of local authorities in social service delivery led to structural reorganization such as amalgamation. In addition, the timing of amalgamations in Belgium does not fit Kjellberg's thesis. Amalgamation only really came about in 1977, well after the initial expansion of the welfare state after the war. Nor can the lag be explained by delays in political decision-making. The first proposals for amalgamation were developed in 1937, before any major expansion of the Belgian welfare state.

The second phase in the development of the welfare state is characterized by a connection between the growing emphasis on socio-economic planning and structural and functional reorganization of local government. The articulation of regional and labour market policies and the expansion of the public sector into new areas were to lead to the introduction of planning techniques on the municipal and regional level and the strengthening of the intermediate level of government.

Indeed few areas in public and social life in Belgium remained untouched by public policy. National government became more and more concerned with steering the economic process, taking care of the educational institutions, public health, town planning, and cultural development. It is hard to say, however that this led to the introduction of planning mechanisms on the municipal and provincial level of government. Communes and provinces only became involved in the sphere of town planning (Stassen 1980, p. 108). Economic planning, however, has not involved local and intermediate levels of government. Economic planning is mainly

a matter of national government and of functionally decentralized institutions. A 1970 law on economic decentralization was aimed at steering the macro-economic business cycle by guaranteeing maximum economic expansion and the continuous improvement of unemployment, purchasing power, housing, and infrastructure as well as distributing economic growth.

The Act of 15 July 1970 established three regional economic councils: one each for Flanders, Wallonia and the province Brabant. They are composed of public officials and the so-called social partners, representatives of employers and trade union organizations. Their main task was to draft a regional plan which was submitted to the Planning Office which developed a 5 year national macro-economic plan. However, the Planning Office was given no means to implement the plans, so that economic planning remained largely theoretical (Stassen 1980, p. 109). The Act of 1970 also institutionalized regional development companies, which are public corporations endowed with standing in their own name at civil law. Their establishment is, however, a matter for the provinces. There are five such companies in the Dutch-speaking area. In the French-speaking area, however, the provinces preferred to establish only one regional development company for the whole area, because their communes, independently of the 1970 Act, had already formed a number of associations that established companies for regional development (intermunicipal cooperation).

In the mean time, several other public corporations were established: National and Regional Investment Association, Public Financing Association, Funds for Industrial Renovation. These institutions were expected to solve the problems of public finance, inflation, monetary policy, unemployment and to create a new industrial climate.

The motives identified by Kjellberg as central to the second phase of the development of the welfare state are clearly present in the Belgian case. However, they have not generated any increase in planning mechanisms at the local and intermediate levels of government. The institutions that were set up to deal with the new interventionist stance of central government were again functionally decentralized institutions in which communes and provinces only played a marginal role. In some parts of the country, however, the communes took the initiative and established companies for regional development (Maes 1988a, p. 128).

The intermediate level of government was strengthened but one has to bear in mind that the proposals in Belgium in the late 1960s to strengthen the provinces were put forward to ease the political tensions between the communities. As soon as the main political parties decided to divide the country into three regions, the appeal of strengthening the provinces waned. It was even likely therefore, that the intermediate level of government would be abolished all together. It is incorrect to ascribe the introduction of a new regional level of government in Belgium to Kjellberg's second phase in the welfare state development. Regionalization in Belgium is primarily due to political circumstances. The Flemish demanded cultural autonomy. The Walloons wanted control over their socio-economic development, defined by themselves, not the centre. It is possible to ascribe the regionalization in Belgium to the failure of the modern state to provide for a balanced distribution

of welfare among the different parts of the country. This distribution crisis is, however, an aspect of *political* regionalization and does not fit Kjellberg's theory.

According to Kjellberg, in the third stage of welfare state development central government seeks to contain the expansion of the public sector and to control aggregate demand and consumer spending. The institutions set up in 1970 served the objectives of macro-economic planning and were expected to solve the problems of public finance and related economic difficulties. The financial reform of the localities in Belgium is more a consequence of regionalization than the demands of the welfare state. Before 1977, the 'Funds of Communes' were nationally distributed between the communes. From 1977 onwards, each region divided the grants for their own territory. There was also a trend to reduce the grants and increase the local taxes and the communes (as well as the provinces) were forced to commit themselves to a stricter financial orthodoxy. Between 1982 and 1988 they were told by national government to reach a budgetary equilibrium between expenses and revenues (Maes 1988b, p. 144).

Although there has been a clear trend to contain local expenditure, it is hard to conclude that the financial reforms created simple financial relationships able to steer and contain the expansion of public expenditure.

The Belgian case demonstrates the major explanatory weaknesses of Kjellberg's theory on local government reorganization. Although Kjellberg's account of the development of the welfare state fits Belgium, it does not correctly predict the effects of this development upon local government. The widening of the social service basket has not led to the structural reorganization of local government. The stress on planning and macro-economic steering has not encouraged either functional reforms at the local and intermediate level or structural reforms at the intermediate level of government. The concern to contain public expenditure has had financial consequences for local authorities but there have been no significant changes in financial relationships. Kjellberg's theory places too much stress on the involvement of local authorities in nationally designed policies.

The urban and functional revolution perspective

According to Sharpe, functional growth and the processes of urbanization and suburbanization are the two main factors behind local government structural reorganization in Western Europe. In addition, the form of structural reorganization is affected by the nature of the constitutional and administrative traditions of each country.

The analysis of the Belgian case supports the first part of Sharpe's argument. The socio-geographic objective of coping with rapid urbanization and suburbanization, and the service-efficiency objective increasing functional scope, were clearly present in the Belgian structural reorganization of local government.

The socio-geographic objective was used to justify the 1971 Act on agglomerations and federations of communes. The Act assumed that functions in the field of planning, public transport, highways, traffic management, sewerage and housing could be more effectively undertaken if their jurisdiction covered the whole of the city and its hinterland. Moreover, the tax burden created by the high density of

services in the service centre could be equalized throughout the whole of the city-hinterland area (Maes 1985, p. 68).

The service efficiency objective justified the amalgamation reforms. The demographic revolution, industrial revolution and urbanization ended rural society. This change fuelled the functional growth of local government. Local authorities embarked on a wide array of functions including land-use, housing, town planning, and the organization of educational and socio-cultural infrastructure. The official aims of the amalgamation were to enable the local authorities to conduct modern, contemporary policy making and improve local services. They were to be given adequate financial means and highly qualified personnel. And the increase in size was to leave local authorities with a human face (Ackaert and Dekien 1989, p. 34). These arguments were repeated in the report which preceded the Royal Decree of 1975 (*Moniteur Belge* 1975).

By 1975, the idea of agglomerations in the greater urban areas and of federations in less densely populated areas had had its day. They were seen as serving no goal other than amalgamation. The existing federations were abolished. Where amalgamation had created large communes, federations were considered redundant. Amalgamation was now hailed as the solution for small as well as large communes. It was not only expected to increase the administrative capacity of small communes, but also to internalize the externalities in greater urban areas (Ackaert and Dekien 1989, pp. 37 and 43). In other words, by 1975 the socio-geographic objective which was initially used to promote agglomerations and federations now promoted amalgamation.

The similarity between the official reports and the arguments used in other countries and by leading academics is remarkable. Suffice it to refer to the debate in Germany on 'Verwaltungskraft' and Leemans (1970). Even more remarkable is the fact that the amalgamations were conducted in a pragmatic way and many theoretical and empirical advisory reports were overlooked. Here, there is a striking similarity between the Belgian reforms and the UK (Sharpe 1988).

Sharpe (1979) argues that the form of local government reorganization is affected by the administrative and constitutional traditions of each country. In sum, he distinguishes between the napoleonic group of states in which the problems of urbanization and functional growth led to the introduction of a new regional tier of government, leaving the basic structure of local government untouched; and the non-napoleonic group where the basic local government units were restructured.

The Belgian local government reorganization does not fit Sharpe's model because it contained amalgamations as well as regionalization. In 1975, the number of communes was reduced from 2,359 to 596 . Sharpe (1988, p. 96) explains this reform by reference to the intensity of the language conflict which weakened the normal resistance to change, and also diverted the other key sources of resistance, the central field services and localist deputies. Sharpe provides no evidence to support his argument, nor does he analyse the actors involved in the decision-making process.

Resistance to the amalgamation came from local officials and the Socialist Party. The protest was directed against authoritarian procedures, not the principle of

amalgamation. The Socialst Party was not of the government at that time and feared gerrymandering. It too did not question the principle of the reform. The government overcame the resistance mainly because of: the persistence of Minister of the Interior Michel; the will of the government to complete the amalgamation before the local elections of 1976; the party discipline imposed by the government partners on their deputies; and the agreement of the opposition parties on the need for amalgamation (Maes 1977, pp. 224–32). The 'cumul des mandats', however limited in Belgium, was one of the reasons for the government presenting its proposals to parliament in an accept or reject form. Possible dissident deputies either had to accept the plans or jeopardize the participation of their party in government. There is no evidence that the ineffectiveness of the protest was due to the language conflict. The amalgamation plans were designed independently of the language problem, in sharp contrast with the Act on agglomerations and federations, the abolition of the federations and especially the regionalization.

Regionalization was not designed to deal with urbanization and functional growth. The objective was to ease the tensions between the two linguistic communities. Before regionalization, the proposals to strengthen the provinces and the introduction of economic planning were seen as solutions to the language problem. As in Spain, the direct motive for regionalization in Belgium was territorial alienation – a combination of the Flemish ethnic nationalism and the Walloon fear of socio-economic marginalization within the unitary state. Sharpe's argument that regionalization was necessary to cope with urbanization and functional growth is not convincing and based on speculation. Although the competencies of the regional governments touch on issues of urbanization and functional growth, the regional reform in Belgium was not meant to cope with their effects. Belgian regionalization is political, not functional. It is concerned with the division of political power.

Sharpe (1988, p. 97) argues that the napoleonic states resorted to regionalization, and left the basic structure of local government untouched, because their local government system is 'not so much a functional system but more a political-cum-representative one. To argue therefore, that the postwar service and urban revolutions require new, more functionally rational units of local government is, if not meaningless, at least misplaced.' The numerous amalgamation proposals in Belgium, as well as in France (Duran 1991) and Italy (Tarrow 1977 and Dente 1991), all aimed to overcome the inefficiencies of small local government units and urban areas. These examples demonstrate the weaknesses of Sharpe's assumption.

Sharpe may be right to argue that the failure of the amalgamation proposals in France was due to the system of 'cumul des mandats'. The Belgian government presented its plans to Parliament in part to overcome the problem of the 'cumul'. However, Sharpe has projected some idiosyncracies of the most representative member of the napoleonic states, namely France, onto the rest of the states with similar intergovernmental relationships. There is too much diversity within the napoleonic states. Sharpe's general model unavoidably leads to oversimplification.

Political perspectives

While party political advantage seems to be an obvious and widespread factor shaping local government reform, in Belgium it played a remarkably small role. The policy makers of the Belgian amalgamation reforms always denied that they were seeking electoral advantage and changing the power relationship between the different political parties in the new communes. Indeed, an analysis of the results of subsequent local elections provides no evidence of such political opportunism (Ackaert and Dekien 1989, p. 320). If this study does not prove the absence of political opportunism, it indicates that such opportunism was not a major objective of the reform. The parties which participated in the 1975 government did not significantly benefit from the local elections of 1976 and after. Although one of the effects of amalgamation was to strengthen the national parties at the local level, Maes (1982, p. 707) argues that this implicit, but certainly not unwanted, effect of amalgamation was one of the elements on which the national consensus on the wholesale character of the reforms was based.

Political motives were more explicitly present in the two other structural reforms: agglomerations and federations of communes, and regionalization. The Act on agglomerations and federations was designed to solve the problem of the greater urban areas. Its implementation was conditioned by the tensions between the linguistic communities, which at that time crystallized in the Brussels problem. The abolition of the federations, and the impasse of the Brussels Agglomeration, clearly demonstrate the difficulties of the political coexistence of different linguistic groups. Regionalization is an answer to this political tension and the precarious position of Brussels. The Brussels issue caused enormous delay to the decision about the competencies and territory of the new subnational governments. The structure for Brussels is a response to politics, not to the urgent problems of Brussels as a metropolitan area with a declining demographic, economic and financial basis.

The neo-marxist perspective explicitly seeks to connect local government reorganization to structural economic and social conditions. There is, however, no evidence that the reorganization of Belgian local government was a necessary consequence of the modern capitalist state. This perspective can shed light on the way in which class conflict cuts across intergovernmental conflict before the war. There are two examples of central government pursuing functional reforms of local government in response to the demands of the capitalist system. First, in the 19th and early 20th century the Belgian central government made the communes organize savings banks. These measures were not meant to ease the poverty of a significant part of the population, but to reconcile public assistance with the demands of the economic system (Debelder 1984, p. 275–91).

The intergovernmental conflicts caused by the concern of communes to ease the effects of unemployment provide a clearer example. Vantemsche (1984, pp. 461–80) argues that the local initiative in the field of unemployment benefits was regarded as dysfunctional, disturbing the coherent macro-social policy of the national government. The national government limited the communes' ability to act and centralized the unemployment policy. Dirk Van Damme (1982, pp. 5–23), argues that there was a contradiction between the local state's function in dealing

with unemployment and the need to reproduce the dominant socio-economic mechanisms. The syndicats were an uncontrollable influence. He argues that the authority of the local state was a constraint to the benefit of the development of early 20th century capitalism. There was no equivalent influence on the structural reorganization of local government in the 1970s and 1980s. The major and unavoidable problem, and as such the ultimate weakness, of the neo-marixst approach is that we cannot operationalize its theoretical hypotheses, and consequently cannot falsify them.

CONCLUSIONS

The Belgian structural reorganization of local government, is not explained by the postwar widening of the social service basket. Neither can regionalization in Belgium be explained by the growing stress on planning and macro-economic steering. Local government reorganization in Belgium was strongly influenced by socio-geographic and service-efficiency objectives. These objectives served to justify intermunicipal cooperation as early as 1922, and later the amalgamation and the creation of metropolitan government, although the objectives were subsequently distorted by the politics of the language issue. Regionalization in Belgium was not a response to urbanization and functional growth, but to the tensions between the two linguistic communities. Regionalization is political, not functional.

Although political motives can be found for all local government reorganizations, none of the perspectives really explains this near universal phenomenon. They do not account for the form and timing of local reorganization. In addition, they fail to explain why it appeared on the political agenda. The boundaries of unreformed local government were created in mediaeval or early modern times, when the administrative functions of localities differed radically from those of its counterparts in the twentieth century, and when patterns of communication, work and leisure bore little relation to those prevailing in the contemporary world. There is no doubt that this mismatch is the fundamental reason for local government reform. Awareness of the problem predated actual reform by many decades in Belgium as in Britain (Robson 1968).

The Belgian case suggests that none of the prevailing theories make much headway in explaining the timing and form of reorganization. If this conclusion is correct, then there are two consequences. First, a comprehensive theory of local reorganization is waiting to be developed. Second, a theory of local government reorganization that explains cross-national variation in timing and content on the basis of broad societal, economic or political trends is impossible. One cannot discuss theories that have not been developed, the Belgian experience does allow us to point out why such theories may be impossible and thereby save time looking for them. I do not seek to downgrade comparative theoretically inspired research. Rather, it is important to recognize that some things are appropriate targets for such comparative analysis and others are not.

To argue that there is no underlying cause waiting to be discovered seems to contradict the nature of the phenomenon. Reorganization is widespread, takes on similar forms cross-nationally and encompasses both amalgamations (and regroupings)

and regionalization. If different nations reformed local government independently of each other, then it would suggest most powerfully that there is some underlying social, economic, political or cultural cause of the sort that the three main theories of reorganization seek to identify. It would seem perverse to deny that there is some common internal process of economic, social or political development which cause different forms of reorganization.

However, individual local government systems have not been modernized independently of each other. Reform commissions and inquiries typically have drawn evidence from other countries. The notion that large scale organization was beneficial was widespread throughout non-industrialized as well as industrialized nations, and was applied to a wide range of organizations, national and local government and private, public and semi-public enterprises. Although the alleged relationship between organizational size, structure and performance, was poorly corroborated by empirical research, it emerges in most reorganizations as a core reason for mergers and redrafting boundaries.

One cannot isolate reorganization from the environment of ideas about organizational size and argue that it is inevitable consequence of welfare state growth or radical changes in demographic patterns. The United States experience of a proliferation rather than an amalgamation of local government units challenges the notion that reform was inevitable. Some countries were more susceptible to such ideas than others because their local governments were politically weak.

However, to go beyond these broad statements of motivation and constraint, and to say something about the timing and form of reorganization, we have to look at the configuration of political forces surrounding the issue in specific countries at particular times. We are unlikely to come up with any better explanation for the wave of reorganizations in the postwar era than perceptions of the inadequacies of ancient and outdated structures combined with the widespread belief that larger units were better. Precisely how these perceptions and beliefs were translated into reorganization policies, which options were considered and which ruled out, defeated or never seriously debated and which forms were finally accepted is unlikely to be amenable to a broad comparative theory. Such matters could and did hang upon immediate political factors such as party strength or the intensity of political cleavages such as the language issue or the urban–suburban–rural distinction. Certainly, to talk of perceptions of administrative obsolescence and sets of ideas about organization lacks the formal trappings of grand social science theory. Yet explanations which claim that local government reforms in different nations were independent events produced by similar courses of domestic social, economic, or political development would be scientific theories without ability to explain.

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NOTES AND COMMUNICATIONS

1991 ANNUAL REPORT BY THE EDITOR

CONTENTS

During 1991 we published 29 articles. Table 1 shows the number of articles published, broken down by subject area.

TABLE 1 Articles published, 1990-91

	1990	1991
Policy and Institutions (UK)	11	11
Theory	4	3
Public Management	8	12
Comparative	3	1
Other (e.g. Law, History)	3	2
TOTAL	29	29

We continued to meet, and exceed, our target of two articles on public management an issue. There was a deliberate cut in the number of comparative articles. From Spring 1992, the journal will carry two comparative articles an issue. It was not possible to appoint an associate editor for the new section by June 1991, so the editor decided to stockpile material to ensure that the new arrival had enough material to launch the new section on time.

THE FLOW OF MATERIAL

Table 2 shows the number of manuscrips submitted in 1991 by subject area and source.

TABLE 2 Flow of material: by number of articles, subject area and source, 1991

Subject area		Source	
	Volunteered	Conference	Commissioned
Policy and Institutions (UK)	37	12	–
Theory	8	1	8
Public Management	28	3	–
Comparative	25	14	–
Other (e.g. Law, History)	2	2	–
TOTALS	100 (103)	32 (46)	8 (6)
TOTAL MANUSCRIPTS	140 (155)		

The flow of volunteered material was stable. The only significant fall was in the number of conference papers because there was no RIPA biennial conference. There was a slight increase in the number of commissioned articles because the editor is assembling a special issue on developments in the study of Public Administration (see below). We referee all commissioned papers. The most important single statistic is that we continue to accept about 1 in 5 of articles considered.

Table 3 shows contributors to the journal by subject area.

TABLE 3 Contributors to journal: by subject area, 1991

Subject area	Academic	Practitioner
Policy and Institutions (UK)	48	1
Theory	17	–
Public Management	12	19
Comparative	37	2
Other (e.g. Law, History)	4	–
TOTALS	118 (126)	22 (29)

The contributions from practitioners fell because there was no RIPA biennial conference; but there is no problem. The flow of material for the 'Public Management' section is healthy.

SPECIAL ISSUES

As reported in the editor's report for 1990, we rejected the projected special issue for 1991 on *Administrative Reform in Western Europe* because the papers were not of a high enough standard. In fact, this outcome was fortunate because it was then possible to use the Spring 1992 issue to launch the revamped journal (see below). There are two special issues in preparation: *Public Administration: the state of the discipline*; and *The Administrative Revolution in Eastern Europe*.

EDITORIAL ADVISORY BOARD

There were major changes in the organization and composition of the Editorial Advisory Board in 1991. Christine Bellamy (Nottingham Polytechnic), Brian Hogwood (University of Strathclyde) and Helen Wallace (Royal Institute of International Affairs) all left after years of sterling service. The board of *Public Administration* is a working board. All members regularly referee papers. Their reward is only an editor's 'thank you'. It is not much, but it is heartfelt. Our job would be harder without their help.

The board increased in size from eight to twelve members and it was reorganized to cope with the new sections. The current organization and composition is as follows:

Main Articles
Dr Geoffrey Fry (University of Leeds); Professor Keith Hartley (University of York); Professor Grant Jordan (University of Aberdeen); Professor Elizabeth Meehan (Queen's University of Belfast); Professor Christopher Pollitt (Brunel University); Dr Alan Ware (Worcester College, Oxford).

Public Management
Sir John Bourn (National Audit Office); Mr Michael Clarke (Local Government Management Board); Mr A. W. Russell (HM Customs and Excise).

International and Comparative Administration
Professor Johan Olsen (Norwegian Research Centre in Organisation and Management); Mr John Nethercote (Royal Australian Institute of Public Administration); Professor Alan Claisse (Université de Paris).

We welcome Geoffrey Fry, Grant Jordan, Elizabeth Meehan, John Nethercote, Johan Olsen, Sandy Russell and Professor Alan Claisse and wish them a busy three years.

EDITORS

The new editorial team is in post. Rod Rhodes has overall responsibility for the journal and looks after the main articles section. Jens Hesse is responsible for the 'International and Comparative Administration' section. Bill Jenkins is responsible for the 'Public Management' section. The Spring 1992 issue provides brief biographies of the new editors.

REFEREES

All members of the Editorial Advisory Board act as referees and the editors are duly grateful. We would also like to thank the following for freely giving of their time and advice.

Anthony Barker (University of Essex); Anthony Bovaird (University of Aston); Roger Buckland (University of Aston); Neil Carter (University of York); Richard Chapman (University of Durham); Paul Cloke (St. David's University College);

Andrew Dunsire (University of York); Howard Elcock (Newcastle Polytechnic); Kevin Featherstone (University of Bradford); Michael Goldsmith (University of Salford); Wyn Grant (University of Warwick); Andrew Gray (University of Kent); Royston Greenwood (University of Alberta); Robin Hambleton (University of Wales, Cardiff); Steven Harrison (The Nuffield Institute, Leeds); David Heald (University of Aberdeen); Michael Hill (Newcastle University); Ian Holliday (University of Manchester); Clive Holtham (City University); David Hunter (The Nuffield Institute, Leeds); Peter Jackson (University of Leicester); Grant Jordan (University of Aberdeen); Dennis Kavanagh (University of Nottingham); Des King (St. John's College, Oxford); Steven Leach (INLOGOV, University of Birmingham); Vivien Lowndes (University of Essex); David McKay (University of Essex); David Marsh (University of Strathclyde); Geoffrey Marshall (Queen's College, Oxford); Nicos Mouzelis (LSE); Stuart Ranson (University of Birmingham); Jeremy Richardson (University of Strathclyde); Christopher Skelcher (INLOGOV, University of Birmingham); Peter Smith (University of York); Susan Smith (University of Glasgow); Gerry Stoker (University of Strathclyde); John Taylor (Strathclyde Business School); Lorelei Watson (London Borough of Richmond); David Wilson (Leicester Polytechnic); and Ken Young (Queen Mary and Westfield College).

CIRCULATION

Circulation for volume 68 (1990) was identical with that for 1989. The journal market remains depressed. This result is, therefore, a good one. The financial return to the RIPA continues to rise and the journal made an increased profit of about £32,000. During 1992 we aim to increase the journal's circulation in Europe (see below).

DEVELOPMENTS

The 'Introduction' to the Spring issue for 1992 describes the changes to the journal. Here I provide only a brief summary:

1. The journal has a new subtitle: 'an international quarterly'.
2. The journal increases in length from 576 to 640 pages a year and will publish, on average, eight articles an issue.
3. There is a new section entitled 'International and Comparative Administration' which will carry two articles of 6–8,000 words an issue.
4. There is a new editorial team and each associate editor is responsible for a section of the journal.
5. The composition of the Editorial Advisory Board was changed so specialist advice is available to each associate editor.
6. These changes support a marketing drive by the publisher, Basil Blackwell, to increase circulation in Eastern as well as Western Europe.

RAWR

GOVERNMENT IN THE UNITED KINGDOM. THE SEARCH FOR ACCOUNTABILITY, EFFECTIVENESS AND CITIZENSHIP

Dawn Oliver

Open University Press, 1991. 241pp. £35.00 (cloth), £12.99 (paper)

There is no shortage of books, articles and pamphlets about the Constitution and constitutional reform. Some of the issues – such as devolution, proportional representation, and Bills of Rights – have been raised and discussed many times. The context changes, however, and to talk of devolution in the 1990s, for instance, is very different from talking about devolution in the 1970s. We need to be kept up-to-date and familiar topics should be exposed to new ideas and new perspectives.

Dawn Oliver, who is a Reader in Public Law in the University of London, has produced a measured study of the system of government in the United Kingdom. She has drawn extensively from the writings of lawyers and political scientists, emphasizing relatively recent literature, and she has sought to bring some consistency into the evaluation of proposals for constitutional reform. In particular, she has identified a number of themes: the search for appropriate mechanisms of accountability, the need to increase the efficiency and effectiveness of the system of government, and the promotion of an idea of citizenship (with many aspects and ingredients). There is obviously a danger, when seeking to maintain chosen themes, of a somewhat artificial analysis of specific problems, but the author is sensibly aware of the danger and each of the substantive chapters in the second and third Parts of the book provides a self-contained exposition and criticism as well as references (where relevant) to the underlying themes.

Given the range of the subject-matter, the book is remarkably short, and the author has had to be selective in the choice of her material. She explains in the Preface that European law does not play a large part, and one should add that there is also relatively little material drawn from comparable common law countries such as New Zealand, Australia and Canada. Leslie Zines, in his book *Constitutional Change in the Commonwealth* (1991), has shown the value of comparative interpretation of proposals for reform, and a number of the issues (such as freedom of information and Bills of Rights) emphasized by Dawn Oliver would have gained from comparative treatment, had space allowed. The limitations of space also mean that Northern Ireland is not covered in any detail.

The author's approach to the topics which are covered in the book is clear and balanced: she looks at the pros and cons of reform proposals and she injects her own ideas both with regard to each topic and more generally in the final Part. As might be expected, the book deals with a wide range of subjects including Parliament, the executive, local government, the electoral system, the use of referendums as a constitutional device, devolution, Bills of Rights, and – at various points – the role of the courts. In the discussion of Bills of Rights, incidentally, it might have been helpful to have referred to the major reports on civil liberties which emerged in the 1970s and 1980s. Once again, there are constraints of space.

One hopes that Dawn Oliver is able to carry forward many of her ideas in future publications. For the moment, this book offers a well-researched survey of the ideas for constitutional reform which are currently under consideration. A great deal of constitutional change, of course, takes place without any coherent plan or set of proposals: it stems from political events, economic pressures, international developments, and innumerable other factors. It is all the more important, then, that we should from time to time take stock, in order to recognize what has taken place and identify what might be achieved. Dawn Oliver is very clearly one of those who would support major constitutional changes, and she seeks 'a wider consciousness of the defects of the system as it operates at present and an appreciation of the complexities of the process of reform.' Her ideas are stimulating, her constitutional instinct is sound, and she enables us to take stock.

D. G. T. Williams
Wolfson College, Cambridge

THE LABOUR PARTY AND WHITEHALL

Kevin Theakston
Routledge, 1992. 233pp. £35.00

Two traces are etched on the mind by reading Theakston on Labour and Whitehall. First, the cool analysis he applies to an activity vulnerable to conspiracy theory and scapegoating of the 'I-name-the-guilty-men' variety. Second, the sad fact that there is nothing new under the sun. Or, more precisely, there is little that current Labour reformers can come up with that G. D. H. Cole, William Robson and, above all, Harold Laski did not pioneer between them forty and seventy years ago.

To be fair to some of the most energetic, consistent and occasionally persuasive minds on the Left (John Garrett in particular), the intellectual debt to past masters of the Whitehall theme is invariably acknowledged. For the problem of how best to harness the bureaucratic power of the career civil service to the purposes of Labour governments has been a live question since the prospect of such administrations seemed a rarity in the early 1920s – rather as it does in the early 1990s.

Like so much else to do with the way the British choose (or allow) themselves to be governed, the issues are both cyclical and repetitive. Small wonder then that the ideas of French-style *cabinets*, think tanks, economic 'general staffs', temporary political appointees to work alongside career regulars, infusions of youthful and heterodox grey cells should appear and reappear.

Had Labour formed a government in April, Dr. Theakston's well-timed volume would now be something of a primer as premier Kinnock put his think tank into place and his freedom of information act into this autumn's legislative timetable. Sales would have soared in Whitehall libraries and among those sections of the journalistic and scholarly classes where the government machine and its minders are thought to matter.

They should buy it none-the-less. Both contenders for the Labour leadership are interested in Whitehall affairs. Within a few weeks of the election, for example, John Smith was stressing the importance of sustaining the principle of a politically neutral civil service. A few months before the election Bryan Gould was lecturing (in the best sense) the First Division Association on the central government theme.

Even if Labour never alone forms a Cabinet again, Kevin Theakston is a sure guide to almost a century of political thought. *The Labour Party and Whitehall* is more than that – it's a report from the best kind of university-based management consultant on the quality of that thought. He never fails to point out when Labour analysis slips into socialist alibi and he's invariably right.

Peter Hennessy
Queen Mary and Westfield College, University of London

THE PUBLIC RECORD OFFICE 1838–1958

John D. Cantwell
HMSO, 1991. 631pp. £50.00

This official history by an 'insider', commissioned for the 150th anniversary in 1988, covers only 120 years, from the origins of the PRO to the 1958 Act which implemented the recommendations of the Grigg Committee (1952–4). It has an antiquarian richness, a good index, and a fund of stories about the different characters involved. The most amusing points come from interviews with such personalities as Noel Blakiston and Kenneth Timings. Their contacts with scholars and their own scholarship seem far removed from the framework document and the corporate plan of the new executive agency (1992).

The book can be read at a number of different levels. It is in part an account of which sets of documents were deemed worthy of preservation, and of what conditions could be provided for their storage. The 1838 Act enabled the Master of the Rolls to bring together a number of collections housed in different repositories, such as the Chapter House at Westminster, the Tower of London and the State Paper Office. Only this physical aggregation of material into a single building in Chancery Lane provided the opportunity for archive administration. The British Museum made rival bids; some documents strayed into private hands.

This book is also an account of how the rules governing public access to the records were framed. The holder of the first student's ticket issues in 1909 described in graphic detail the glaring inadequacies of the search rooms. By 1926 the papers of the majority of government departments were available down to 1878.

This book can also be read as an account of the PRO as an organization. It has always been dogged by the labour of cataloguing. According to Forescue's evidence in 1911 its atmosphere was one of 'weariness, slackness and apathy'. The higher grade officials had brains and good-will but did not know how to command men (p. 365). Galbraith, the Oxford Regius Professor, thought his assistant keepership 'a stick in the mud job' with no 'nicer mud to stick in' (p. 406). The management of the new executive agency might add to its mission statement some indication of the relationship between archive administration and scholarship.

J. M. Lee
University of Bristol

HOW ORGANISATIONS MEASURE SUCCESS

N. Carter, R. Klein and P. Day
Routledge 1992. 202pp. £35.00

This is a timely book. John Major's newly elected government appears to be as committed to the reform of the public sector as the three previous administrations under Margaret Thatcher. It is important to assess the impact of the Thatcher years on public sector management and to see what lessons can be drawn for the present government.

This book focuses on the role of that pervasive management tool, the performance indicator (PI). It was the Financial Management Initiative, launched in May 1982, that gave impetus to the widespread use of PIs, adopted at first with great reluctance. The authors note, with characteristic humour which makes this book so readable, that at one time, the Whitehall debate about managerial techniques was like one 'where successive generations of actors have simply read out the scripts bequeathed to them by their

predecessors' (p. 27). However the growth of public sector PIs has now reached epidemic proportions. Even the number of PIs is sometimes seen – mistakenly as this book shows – as an index of managerial competence.

Are PIs just another fashionable management tool, born in an economic crisis, which will eventually pass away? How are they used and do they really measure performance? To assess these and related questions, the authors present case studies of PIs in action in 13 organizations. For the public non-market sector the book includes the NHS, the DSS and the criminal justice system – police, courts and prisons. The market sector studies cover various retail stores, a building society and a bank. Monopolies are examined in the form of railways, water and airports.

Chapter 2, which explores the 'organizational and conceptual dimensions of performance indicators' lays the foundations for the analysis of the subsequent case studies. An interesting conclusion is that it is not the divide between public and private sector that determines how performance is assessed. The private sector's much vaunted bottom line of profit is in reality an ambiguous measure. It has to be supplemented, or even replaced, by other indicators, especially when a firm has branches where profit cannot be calculated. The private sector needs and uses non-profit indicators almost as much as the public sector.

The authors assert that it is organizational features, some of which may transcend private and public sector boundaries, that really explain how performance is assessed in practice. This proposition is tested using seven sets of 'organizational dimensions' to describe the organizations studied, comparing the characterization in each case with the assessment scheme actually in use. As the authors acknowledge, their taxonomy is 'rough and ready' (p. 33). The dimensions identified do not always map through unambiguously to corresponding modes of assessment. Nevertheless the book presents enough evidence – consistent with the work of some other researchers – to demonstrate something of the nature of the interaction between organizations and their evaluation schemes. The analysis of the case studies picks out the type of organization likely to generate large numbers of 'off the peg' PIs, drawn from existing data and used only as 'tin openers' for descriptive purposes. This contrasts with other kinds of organization producing slimmer, and possibly more effective, 'bespoke' systems with fewer PIs used as 'dials' to set standards and measure performance (pp. 168–9).

PIs now have an established place in the repertoire of public sector management techniques. It is no longer a question of whether they are wanted but how to make effective use of them. For managers struggling to improve unwieldy PI systems this book offers some useful insights. For researchers it provides a valuable framework for much needed further work. This is necessary because, since the completion of the research for this book in 1990, other issues – performance related pay and the assessment of quality in public goods and services – have moved up the agenda in the debate. These must be explored, like the studies in this book, in an organizational context.

David Burningham
Brunel University

CITIZENS, CONSUMERS AND COUNCILS: LOCAL GOVERNMENT AND THE PUBLIC

The rather hackneyed title and modest presentation of this book belies its considerable importance and usefulness. John Gyford goes well beyond the easy alliteration and the current fashion for looking at local authorities in terms of the services they offer to

individual consumers, clients, constituents and citizens. He does do some of this, and manages to do it with a good deal more rigour and insight than many other commentators. However, the real value of his book is that it explores these current concepts critically, and sets them in the context of a longer term historical understanding of the wider social and political roles of local government.

He begins with a careful analysis of the changing and more diverse publics which local government now has to serve, and shows how the rather passive roles of ratepayer, client and voter, are being challenged by their more active variants – shareholder, consumer, and citizen. He goes on in chapter 2 to discuss the economic, social and political pressures for change which have helped to shape these new concepts and movements, and which have found support, for different reasons, from both the right and the left.

There are then three chapters which explore different dimensions of the challenge to local authorities to develop more active approaches to their publics: (1) participation (the right to take part, through co-option onto committees; user participation in housing, education and social services; and public participation and popular planning); (2) consultation (the right to be heard, through consultative forums; petitions and complaints procedures; and opinion polling); (3) information and access (through decentralization, public relations and strategic and consumer marketing).

The next chapter draws some of his themes together conceptually through a discussion of Diversity, Pluralism and Choice. This includes the potential and limitations of the new mixed economy of welfare to generate not just a wider range of providers from the public, private, voluntary and informal community sectors, but also to extend real choice for all sections of the public.

The final chapter analyses the very different models of local government which follow from the three different roles of shareholder, consumer and citizen, and links these to three different characteristics (protective, instrumental and developmental), and three modes of provision (market based and privatized, individual consumer responsive, and democratic and collectivist). See table 1.

The book includes a comprehensive Bibliography which, in addition to listing a wide range of academic publications, also cites a number of key policy documents from local authorities. It is also particularly useful in drawing references not just from the literature of the 1980s but also from the earlier history of local government at key points this century.

The content of John Gyford's book makes it excellent value. Its presentation is slightly less attractive, being printed on roughish feeling paper (acceptable if this is recycled paper, but this is not stated). The text would also have benefitted from more sub-headings to break up the page, and signpost the stages in his very clear line of argument.

The above synopsis cannot do justice to the rich texture of John Gyford's book. He is able to draw on his long experience as a local government councillor and officer, as well as his research and wide reading, to develop a style which combines clear summaries of the academic and policy literature with lively examples and case studies from local authority practice. The arguments may not in themselves be particularly original or path breaking, but he analyses each concept very clearly and concisely, and then draws them together into helpful frameworks and typologies.

A refreshing feature of the book is the many insights and illustrations which it reveals of the role of local government not just as the administrator of resources, services and contracts, but also as a facilitator and focal point for the political processes of participation and representation in order to articulate and meet local community needs. Gyford brings these perspectives alive in a way which reminds one how much they have been missing from many of the debates about local government which have dominated the last decade.

John Benington
University of Warwick

THE WOMEN'S MOVEMENT AND LOCAL POLITICS: THE INFLUENCE ON COUNCILLORS IN LONDON

J. Barry
Avery Academic Publishing Group, 1991. 234pp. £32.50

Current concerns about the decline of local government may divert attention from the significant increase in women councillors over the last few years, particularly in inner London (30 per cent in 1990). This book is valuable in so far as it attempts to record the causes and effects of this increased participation. However, the author does not explore the possibility that the two trends are interrelated and that local government is yet another example of an institution to which women are allowed access, only because that institution is rapidly losing power.

Jim Barry's book which is based on questionnaire and interviews of female and male London councillors in the late 1980s, offers some interesting insights into the influence of the women's movement on the London political scene. Regardless of political party, half the women councillors had been involved in women's groups or campaigns prior to selection: an experience which fostered a degree of cross-party support amongst women councillors on a range of women's policy issues. As a consequence of the involvement of many of these women councillors, ideas and issues from the women's movement such as creches, women's refuges, improved street lighting, began to permeate local government in London.

Women's motivation for becoming councillors often sprang from a local commitment to the community. Their decision to participate was frequently influenced by strong female political role models within their own families.

There were marked differences between the experience of the female and male councillors questioned for the study. For example, fewer women had young children. Women were more likely than men to be first asked to stand for the council when their children had grown up. Male councillors were more likely to compartmentalize their lives, with their public duties taking priority over their private lives. Women, however, endeavoured to juggle their home and political commitments: often in unsupportive environments.

Despite this interesting analysis, the book suffers from a number of weaknesses: the major being the difficulties of translating a Ph.d format into a more readable form. The author also seems to suffer from an odd delusion that as the research was carried out by a man this 'may have aided the interview programme'. He also propounds an unfortunate stereotype of feminist researchers by suggesting that 'had I been a female who turned up to the interviews in dungarees, the reaction of one Conservative male councillor would doubtless have been different, since he expressed 'fear' of such 'heavies' as he called them. Nevertheless the book has some interesting material.

The decline of local government is marked by a parallel increase in a range of non-elected bodies. This is likely to reverse the trend of the increasing numbers of women in public office, as they continue to be the victims of being patronized without benefiting from the new powers of patronage.

Kathryn Riley
Birmingham University

A RADICAL AGENDA: AFTER THE NEW RIGHT AND OLD LEFT

David Donnison
Rivers Oram Press, 1991. 215pp. £9.95 (paper)

Throughout this passionately written book, David Donnison scatters portraits of people

living with terrible deprivation and confronting an unyielding or uncaring system. He vividly describes the reality of lives that are too often overlooked in general discussion of welfare policy. But his book is not primarily intended as a portrait of contemporary Britain. Instead it is about how such injustices can be corrected by socialists. As such, it is a well-informed, reflective polemic, which goes some way to achieving his ambition to 'reconnect reason, perception and passion' (p. 46).

The first half of the book is taken up with describing the principles that inform Donnison's sense of social justice. His aim is to establish a democratic order which is capable of responding to the need of others. For this reason, he begins by linking poverty and powerlessness. He then seeks to reconnect political analysis and moral judgement, trying in the process to offer an alternative to the individualism of the New Right. His com-munitarian morality requires society to evolve a process of negotiated settlement:

> We are so inextricably dependent on each other that we have to find ways of constantly renegotiating agreements about how to run our affairs – renewing, if only precariously, some workable sense of common citizenship, making that citizenship a bit more humane, so that it becomes a bit easier to treat all our fellow citizens as worthy of equal respect (p. 56).

This general, and rather vague commitment, is given sharper form by Donnison's emphasis on a clearly recognized set of practical rights, borne of the needs people have in order to avoid the pain of poverty.

The second half of *A Radical Agenda* is then concerned with how Donnison's principles might be realized in practice. In keeping with the New Left thinking that informs his arguments, his focus turns first to community-based projects which allow clients to become citizens. From here, he works up towards the creation of cities which establish an environ-ment that is responsive to all its citizens. And finally, he ends at the national level where he identifies income and welfare policies which will allow people to exercise their citizen-ship rights. The combined effect of these levels of change are illustrated by a detailed discussion of housing.

The weakness of this book lies with its focus as much with its arguments. Donnison is primarily concerned with establishing an agenda; he seems less interested in how policy aims are to be realized. It is not clear how the move from the existing system is to be achieved. Sometimes, it is attributed to general trends and patterns (for example, com-munity groups). At others it seems to depend on an act of political will. While each may be plausible, they fail to acknowledge the complexities of such change or the way intention is modified in the process of implementation. As ex-Chairman of the Supplementary Benefits Commission, Donnison must know exactly what is involved, and it is a pity that this feature of his experience is not put to more use.

But despite this, there is much of value here. Its approachable style and the issues it raises make it a good book with which to introduce students to the real focus of public policy and the political arguments that underline it.

J. R. Street
University of East Anglia

DISCRETIONARY POLITICS: INTERGOVERNMENTAL SOCIAL TRANSFERS IN EIGHT COUNTRIES Volume 2 of the INTERNATIONAL REVIEW OF COMPARATIVE PUBLIC POLICY

Douglas E. Ashford (ed.)
JAI Press, 1990, 212pp. Price not known

Douglas Ashford has become the outstanding advocate of the view that comparative studies

of public policy must get beyond both the testing of broad macro-sociological theories derived from the ideologies of Left and Right and the use of comparable but essentially crude quantitative indices. He rightly argues that we need to understand the complex bureaucratic politics which characterize central/local relations and the determination of policy at the local level if we are to make sensitive comparative generalizations about policy processes.

This is a perspective which is surely right, given the way in which the vast amount of work which has been done in the broader traditions has demonstrably run up against limits to meaningful comparisons between systems whose features are so determined by complex cultural political and institutional conditions. However, the very complexity which Ashford stresses makes the comparative task difficult.

Ashford himself has done intensive comparative work on his own, most notably challenging earlier perspectives on central local relations in Britain and France. In this volume he relies on a distinguished team of international collaborators each funded from grants secured from within their own countries. There are chapters on Italy, Switzerland, the United States, Sweden, Israel, France, Japan and West Germany. In each study the writers have looked at the handling of specific social transfer policies (broadly interpreted) in at least four communities chosen to enable ideological and socio-economic contrasts to be taken into account. There is no chapter on Britain, because Ashford's potential collaborators ran into a research funding problem? Ashford attempts to make up for this omission in the theoretical chapters at the beginning and end of the book, making some interesting comments on centralization during the Thatcher era. The discussion of this, nevertheless, leaves the reader a little uneasy. The complexities of developments, like the establishment of housing benefit and the evolution of the means-testing of local welfare services, which have extended new forms of local discretion in a strictly bounded context are not addressed, and are bound to be difficult to understand for anyone not immersed in policy details. This is, of course, a generic problem for work of this kind.

The conclusions from the case studies are, not surprisingly, that specific administrative and political (often in a non-party political sense) contexts play a key role in determining outputs and that local discretion is alive and well. Indeed Ashford writes of the 'curious persistence' of the latter, a conclusion surely not so surprising if one looks at the theoretical literature on the determinants of discretion. The overall outcome is a solid and worthy book, but one which is not easy to read on account of the detailed material. This is the problem for this approach. The book is recommended to academics who are interested in advancing comparative policy studies, and the individual chapters may be useful to others wanting an insight into issues about local discretion in one or more of the countries considered.

Overall, the reviewer is reluctant to be critical of this worthy effort towards careful comparison of the determinants of specific policy outcomes. More such work needs to be done, with the units for comparison kept as small as possible and the background contextual variables drawn from the generalizations of earlier work. Such work is costly, not least because it has to start with academics spending time understanding each others' systems and the ideas derived from those systems. At a time of institutional convergence, with bodies like the EEC demanding harmonization, such work is nevertheless important. This is a first step along a difficult road.

M. J. Hill
University of Newcastle

NORTHERN IRELAND: POLITICS AND THE CONSTITUTION

Brigid Hadfield (ed.)

Open University Press, 1992. 183pp. £35.00 (cloth), £12.99 (paper)

We must be nearing saturation point. Studies of the Northern Ireland conflict continue to pour off the presses and, combined, they have this in common: there has been a disproportion between the enormous effort expended and the exiguous results achieved. One wry commentator has suggested that if all the alleged solutions were laid end to end they would cover the circumference of the world. Yet another analysis is as welcome as a hangover and should have the same depressing and deadening effect. That said, this is a very valuable and welcome addition to the debate. Whereas most of the material is familiar and based on secondary sources these 11 essays have a variety and a freshness which will make this book an important teaching resource.

Mercifully the familiar historical narrative is eschewed in favour of looking at current events. The battle of Baginbun ('1169 and all that') does not rate a single mention. Instead most contributors take a brisk run through the Stormont years (1921–72) the better in order to explain what is taxing policy makers and politicians since the imposition of direct rule in 1972. All of them, too, write with a sense of urgency and of concern. They possess the Roman sense of *virtu*. The result is that much of the book is vibrant and all of it is informative. It is a collection of theory and practice. It is about the Northern Ireland problem but it borrows from comparative research and is (rightly) conscious of the Irish and European dimensions. Navel contemplation finds little room between these covers.

The editor's aim was to facilitate an exchange of views between lawyers and political scientists through exploring a selection of issues which merit close examination such as current problems of constitutional law. The result is a forensic analysis of many of the state's agencies and the issues they confront. It has to be said that quantitatively the political scientists have more to contribute. Although five of the essays come from a legal background, one of those belongs to a practising politician who writes (objectively) about the party positions on the merits of devolution. Perhaps two features are noteworthy. Most of the work concentrates on the descriptive. Clive Walker – writing on the army's role – is an exception by being both prescriptive and comparative (in addition to bringing a measure of original research into his findings). Secondly, notwithstanding Dr Hadfield's desire 'to enhance awareness of the insights and knowledge which the one discipline might bring to the other', there is a sense of the sharing of knowledge but not of disciplinary insights: John Loughlin's study of policy and administration is a particularly good example of trying to cross that academic bridge.

That is not meant as too harsh a criticism. One assumes that this book is meant for the undergraduate and, in that respect, it deserves a very wide readership. But one is also conscious of a rich research potential. R. A. Wilford on 'inverted consociationalism' breathes new life into Lijphart's well-thumbed model by examining fair employment and educational policies: the result is an enhancement of knowledge on two fronts. Edward Moxon-Browne writes with great clarity about the complex and everchanging European scene. He is correct in stressing interdependence but ideally he deserved more space to develop the concept of an emerging European legal culture which is much more integrative and insidious than many political practitioners acknowledge. By 'doing' a J. A. G. Griffith on Northern Ireland's judges Brice Dickson fulfils one of the editor's criteria in ensuring that the issues in Northern Ireland are not marginalized.

In her chapter on the Northern Ireland constitution Brigid Hadfield introduces a note of exasperation when she describes the consequences of direct rule as 'at best disquieting and at worst deplorable'. This concern for the state of democratic practice is laudable; in addition it gives her writing extra bite. That quality is to be found in the remainder of the book, although one or two contributions are too combative – and one essay is

both combative and narrow, fighting battles that have long been settled. But that is an exception in this highly pertinent, informative and insightful collection of essays.

Paul Arthur
University of Ulster at Jordanstown

RACE AND PUBLIC POLICY

S. Saggar
Avebury, 1991. 198pp. £25.00

The development of local authority race relations policies and structures in the late 1970s and the early years of the 1980s was regarded by many as an important victory for those advocating an explicit race dimension in local politics aimed at tackling widespread discrimination and disadvantage. The subsequent abolition of the GLC and ILEA and the disempowerment of local authorities, both through financial cutbacks and reforms (for example in education and housing) on top of mounting attacks on anti-racist initiatives in the latter part of the 1980s have all had profoundly retrograde effects on the development of race policies.

At the heart of Shamit Saggar's account, is the argument that race policies over the last twenty-five years have been built on a liberal consensus, comprising a commitment to immigration control on the one hand and racial harmony on the other. Moreover, the responsibility for integration and harmony has been devolved to local authorities. According to the author, subsequent shifts in policy have to be understood in terms of the dominance of this framework and the historical development of relationships between policy actors (*sic*) and programmes and policies, both inside and outside what he calls the race policy environment.

The central thesis is illustrated with reference to two local authorities, in Ealing and Barnet. One key difference between the two boroughs has been the dominance of one political party, the Conservatives, in Barnet, which Saggar argues, has made that borough more 'effective' in terms of managing the consensus (although, in view of this, I could not altogether make sense of the author's comment that evidence of the liberal hour was rather sketchy: p. 123). He analyses the local authority's ability to maintain legitimacy for the liberal framework in terms of the incorporation of the least threatening elements (for example self-help groups), the marginalization (through the mobilization of bias) of those attempts to break with the consensus through the promotion of racially explicit policies and by maintaining policy at the expense of making it. In this respect, the author develops an important analysis, the strength of which lies in his detailed overview of developments in the two boroughs (including a fascinating case study of Ealing's infamous educational dispersal policy). His research was based on interviews (which elicited some priceless comments from councillors), direct observation, and an extensive trawl through local press and council documents.

Although the author argues that local authorities have played the dominant role in safeguarding liberal values, he also recognizes that outside influences can upset the framework and threaten the race policy environment. Most important amongst these have been the panics about immigration from Kenya in 1968 and Uganda in 1972, both of which provoked a response from the anti-immigration lobby and the campaigns of the far right. On the other side of the political divide, the uprisings and anti-fascist demonstrations of the 1970s and 80s, which helped to mobilize radical sections of the Black community also threatened the consensus and helped to shift the race policy agenda from one aimed at harmony, through the depoliticization of the issue, to one which took racial inequality and racism as its starting point and sacrificed harmony, when necessary, in the process.

In view of the potential importance of this analysis, it seems unfortunate that the author was unable to address the more recent developments referred to above, which have taken debates arguably beyond the 'radical' agenda of the early 1980s. These are only touched on in passing in his post-script discussion. Could it be, for instance, that the backlash against racial explicitness in local policy making has brought his model of policy development back full circle and that we are now witnessing a revival of assimilation (not a term the author chooses to use), and even a return to a pre-liberal hour? More recent developments have also witnessed the emergence of groups like the Southall Black Sisters in the wake of the Rushdie affair, which might have invited a wider discussion of the role of Black women both inside and outside the race policy environment.

By way of conclusion, I must confess to two minor irritations. I did find the abbreviations a bit off-putting, as I did the typeface (no fault of the author, this time!) which is small, faint and highly condensed, revealing all the hallmarks of cost-cutting production techniques! Overall, however, these did not deter me from persevering with what is an important contribution to race policy studies.

John Gabriel
University of Birmingham

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REVIEWS

BUSINESS AS USUAL

At the end of July 1992, the Royal Institute of Public Administration went into liquidation. The description 'dramatic' does not begin to capture recent events. Blackwell already published the journal for RIPA; they now own the publishing rights. Rod Rhodes remains as editor, helped by Bill Jenkins and Jens Hesse. Both the Autumn and Winter issues were published on time and sent to all subscribers, including ex-members of RIPA. The death of the Institute was a sad loss but, for the journal, it is 'business as usual'.

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In future please send *all* correspondence about manuscripts and book reviews to Professor R. Rhodes, Dept of Politics, University of York, York YO1 5DD. Inquiries relating to subscriptions, copyright or offprints should be addressed to Blackwell Publishers, Journals Division, 108 Cowley Road, Oxford OX4 1JF.

THE PARLIAMENTARY OMBUDSMAN AFTER TWENTY-FIVE YEARS

ROY GREGORY AND JANE PEARSON

Twenty-five years after it was established in 1967 the Parliamentary Commissioner scheme is now criticized not so much on the grounds that it lacks teeth; the problem rather is that the system could be used with advantage a good deal more extensively than it is. The Parliamentary Ombudsman has been under-used largely because it has generated only bounded enthusiasm among MPs, the 'gatekeepers' and potential 'magnets' for the office. Survey evidence suggests that MPs' attitudes are related mainly to their dissatisfaction with the limitations on the ombudsman's 'spatial' jurisdiction and the length of time taken by the office to investigate complaints. MPs' disapproval of these aspects of the scheme, however, may be symptomatic of a divergence between members' desire for 'quick-fix' solutions to constituents' problems and the emphasis placed on the 'audit role' of the office by successive commisioners. Greater awareness of the functions of the office by both the general public and among MPs, an extension of the Commissioner's jurisdictional remit; a faster average 'throughput' time for investigations; and possibly the introduction of a 'two track' procedure for inquiries are all arguably required if the full potential of the Parliamentary Commissioner scheme is to be realized.

I AN UNDER-USED RESOURCE?

The ombudsman arrangements which came into effect in the United Kingdom on 1 April 1967 got off to a bad start. As one observer notes, few governmental agencies can have begun work under 'a darker cloud of adverse publicity' than did the Parliamentary Commissioner for Administration (Gwyn 1982). The new office was denounced as 'pointless', 'a joke', 'a gimmick' and 'ludicrously emasculated'. The first Commissioner himself was variously described by the media and in Parliament as a 'toothless tiger'; 'a watchdog in chains'; 'a swordless crusader'; an 'ombudsflop'; an 'ombudsboob'; and an 'ombudsmouse' (Gwyn 1973). To some extent, such expressions of disappointment merely reflected the vague and unrealistic notions of ill-informed critics labouring under the mistaken impression that, in other countries, virtually nothing was beyond the powers of review and direction vested in the ombudsman. The fact that no ombudsman properly so described

is anywhere authorized to make orders, reverse administrative action or enforce remedies, was sometimes ignored in the chorus of disapproval and derision (Rowat 1968; Caiden and MacDermot 1983).

Not all the criticisms levelled at the Parliamentary Commissioner scheme, however, were based upon ignorance of the ombudsman concept. It was not unreasonable to argue that complainants should have been given direct access to the Commissioner, instead of being required to ask MPs to refer their cases to the office; or that his jurisdiction was too restricted, in the sense that the office was empowered to investigate only administrative action taken by central government departments, and not even all of that; or that the inclusion of the term 'mal-administration' in the Parliamentary Commissioner Act 1967 had been ill-considered, because it both unduly restricted the range and number of complaints open to investigation by the Commissioner and also limited unduly the grounds on which he was authorized to criticize departmental action subject to complaint.

In addition to what sceptics regarded as design faults of this kind, incorporated in the original legislation, other features of the Parliamentary Commissioner scheme also came under attack as it took shape. The government had been wrong, it was argued, to appoint a former civil servant to the post of Parliamentary Commissioner. The first Commissioner was said to have interpreted the term 'maladministration' too cautiously. It was undesirable that the office should be staffed with what were described as 'junior' civil servants, seconded from the very departments they were responsible for investigating. The lack of legal expertise in the office was deplorable. All in all, the Parliamentary Commissioner scheme as portrayed by its many detractors amounted to a largely worthless variant of the ombudsman model, unlikely to do much good, if indeed it had any future at all (Gregory and Hutchesson 1975, pp. 619–20).

A decade later the Parliamentary Commissioner scheme was still the subject of criticism. The arrangements for access to the office through MPs, the restrictions on the Commissioner's jurisdiction, and the 'maladministration provisions' in the 1967 Act were still thought to be undesirable (JUSTICE 1977). By 1977, however, there was favourable comment, too. Not only had the Commissioner carried out 'a number of important and successful investigations'; the office, it was acknowledged, had become established and accepted 'as a permanent part of the constitution'. Indeed, in an oblique tribute to the effectiveness of the office on those occasions when it did come into play, criticism of the Parliamentary Commissioner scheme began to take a rather different turn. The problem (critics now argued) was that the Parliamentary Commissioner scheme was not well enough publicized; it was not widely known to the public; it was employed by only a small section of the population; and therefore was 'considerably under-utilised' (JUSTICE 1977, pp. 3–4).

As the Parliamentary Commissioner scheme approaches the twenty-fifth anniversary of its inception, it continues to provoke mixed feelings. On the one hand, the value of the office and its associated Select Committee is clearly accepted beyond question. In evidence to the Select Committee in December 1989 the then Leader of the House agreed that 'the system' was working well (HC 62–I, QQ. 14–16);

and the Select Committee, in its report published in December 1990, expressed the view that the Parliamentary Commissioner scheme was now 'part of the fabric of the United Kingdom's unwritten constitution' (HC 129, p. xiii). On the occasion of a rare debate on the work of the office on 1 May 1991 there was general agreement among MPs present that 'the Ombudsman system' had been on the whole a 'success story' (Hansard 1991, 1 May, col. 367–405; Parliamentary Commissioner (PCA) 1992, Annual Report for 1991). And at a Select Committee hearing in December 1991 it was again made clear that the government, too, regarded the role of the Commissioner and the way in which it had been discharged as 'a very considerable success', something to be enhanced, and certainly not diminished (HC 158, Minutes of Evidence, 18 Dec. 1991, Q. 63).

Indeed, the Parliamentary Commissioner scheme is now praised, in moderation, even by journalists, lawyers and academics. The Commissioner's investigations, it is pointed out, are extremely thorough; he has made officials aware of the need to treat members of the public with proper consideration; government departments have frequently provided remedies in response to his findings; administrative practice and policy (and even, on occasion, the law) has been changed, to the benefit of thousands, as a result of his operations and those of the Select Committee; and his reports have helped complainants secure redress which they would almost certainly have been denied had the office not existed. All of this, it is pointed out, has been accomplished without damaging civil service morale or significantly increasing departmental workloads. Nor has the doctrine of ministerial accountability to Parliament been undermined. If the United Kingdom ever seriously addresses itself to the question of administrative law reform, it is suggested, a primary source of information will be the reports of the Parliamentary Commissioner (de Smith and Brazier 1989, pp. 653–4. See also Birkinshaw 1985, pp. 139–40; Wade 1988, pp. 94–5; Jones 1989, p. 104).

On the other hand, by no means every observer is persuaded that the full potential of the office has yet been realized. It is not so much that the watchdog is thought to lack teeth; the feeling is, rather that he is too infrequently asked to make use of them. Even the Select Committee, for the most part content with the way in which the Parliamentary Commissioner scheme has developed, suggests that 'the current system would be strengthened if references were made by more MPs' (HC 129, p. xii). In short, as the authors of one recent analysis of the Parliamentary Commissioner scheme conclude, the office is 'capable of better things' (Drewry and Harlow 1990, p. 764).

Reservations of this kind are prompted in the main by statistics. The number of 'justified' complaints upheld by the Commissioner is, of course, related to the number of cases investigated; which, in turn, is related to the number of cases, falling within the Commissioner's jurisdiction, referred to him by MPs. The figures are set out in tables 1 and 2. For what averages are worth, the yearly average number of cases investigated in the period 1967 to 1991 was 225; the yearly average number of complaints referred by MPs was 803. These numbers have always been regarded and described as 'low', the implication being that, ideally, they 'ought' to have been higher. It is indeed true that in countries with populations a great

deal smaller than that of the United Kingdom the ombudsman sometimes receives and investigates far more cases than does the Parliamentary Commissioner. In 1990, for example, the Danish Ombudsman was expected to receive more than 2,000 complaints from a population of around five million. The Swedish Ombudsman expected to receive about 4,000 cases in the same year from a population of eight million. These figures are in marked contrast to the 766 complaints which the Commissioner received in 1989 from the United Kingdom population of over 55 million (HC 129, p. xii).

TABLE 1   Complaints upheld by the Parliamentary Commissioner

	Complaints investigated	Complaints upheld	Percentage
1967	188	19	10.1
1968	374	38	10.2
1969	302	48	15.9
1970	259	59	22.8
1971	182	67	36.8
1972	261	79	30.3
1973	239	88	36.8
1974	252	94	37.3
1975	244	90	36.9
1976	320	139	43.4
1977	312	111	35.6
1978	341	131	38.4
1979	223	84	37.7
1980	225	107	47.6
1981	228	104	45.6
1982	202	67	33.2
1983	198	83	41.9
1984	183	81	44.3
1985	177	75	42.4
1986	168	82	48.8
1987	145	63	43.5
1988	120	59	49.2
1989	126	61	48.4
1990	177	74	41.8
1991	183	87	47.5

Source. Parliamentary Commissioner: *Annual Reports*.

Unqualified statistics, however, should be treated with caution. The jurisdictional remits of ombudsmen vary considerably from one country to another, and in some they are a good deal more extensive than that of the Parliamentary Commissioner. In Sweden, for example, the ombudsman's jurisdiction covers not only state servants in the conventional sense but also the actions of the courts of law and priests of

the Church of Sweden. Moreover, in countries like Sweden and Denmark, where (it seems) he is often the aggrieved person's first and only port of call outside of the organization concerned, the ombudsman naturally receives more complaints than are referred to the Parliamentary Commissioner in a country such as the United Kingdom, where MPs have always played a major role in taking up constituents' grievances against governmental agencies (HC 129, pp. v–vi).

TABLE 2   Cases referred to the Parliamentary Commissioner

	Complaints received direct from public	Number of MPs referring cases	Cases referred by MPs	Complaints rejected as outwith jurisdiction	Percentage of cases rejected
1967	743	428	1,069	561	52.5
1968	808	N/A	1,120	727	64.9
1969	814	N/A	761	445	58.5
1970	645	N/A	645	362	56.1
1971	505	305	548	295	53.8
1972	661	306	573	318	55.5
1973	676	306	571	285	49.9
1974	724	359	704	374	53.1
1975	1,068	381	928	576	62.1
1976	882	375	815	492	60.4
1977	868	401	901	504	55.9
1978	1,777	461	1,259	927	73.6
1979	822	368	758	541	71.4
1980	1,194	401	1,031	686	66.5
1981	870	387	917	694	75.7
1982	1,002	389	838	574	68.5
1983	952	462	751	605	80.6
1984	901	386	837	658	78.6
1985	935	373	759	606	79.8
1986	838	387	719	549	76.4
1987	1,097	379	677	509	75.2
1988	1,132	359	701	529	75.5
1989	1,012	361	677	502	74.2
1990	1,039	371	704	535	76.0
1991	1,045	432	801	580	72.4

Source: Parliamentary Commissioner. Annual Reports.

The fact is that in a country like the United Kingdom, with its large population and long-established tradition of employing MPs as 'constituency grievance men', it can certainly be argued that the Commissioner 'ought' to investigate 'only complaints that the Member has been, or knows that he will be, unable to resolve himself' (HC 615/444, p. vii). Looked at in that light, the number of cases referred

each year to the office is not perhaps as spectacularly low as may at first sight appear. This is not to say, however, that it is necessarily the 'right' number. Ideally, the Commissioner would receive and investigate only and *all* those complaints which MPs have been or know that they will be unable to resolve themselves. How many such cases there are, no one knows.

What can be said with certainty is that the Parliamentary Commissioner's case-load is remarkably light by comparison with the number of cases taken up by members of the public with their MPs. During the debates on the Parliamentary Commissioner Bill in 1967 it was estimated that, between them, MPs received about 300,000 complaints a year (*Hansard* 1966–67, col. 89). The Commissioner's case-load is also remarkably light by comparison with the number of cases pursued by MPs with ministers. In the early 1960s it was suggested that 'upwards of 50,000 letters a year' passed between MPs and ministers (Chester and Bowring 1962). In 1976 it was reported that the DHSS alone was dealing with about 25,000 letters a year from MPs to ministers (Hartley-Brewer 1976). At much the same time, in 1978, the then Parliamentary Commissioner estimated that there were about 200,000 'contacts' a year between MPs and major departments, 100,000 of which involved letters (HC 544/295. Minutes of Evidence, 8 March 1978, Q. 8. The latter figure was subsequently endorsed by the Civil Service Department; see HC 615/444, p. vii). Not all of these letters deal with complaints; and not all complaints pursued by MPs with ministers are investigable by the Commissioner. None the less the difference between the number of complaints received and taken up by MPs on the one hand, and the number of cases which, between them, they refer to the Parliamentary Commissioner every year, does remain strikingly large.

Equally striking, perhaps, are the same figures for referrals looked at in terms of the number of cases per constituency reaching the Commissioner. As table 3 shows, in 1986 the constituencies represented by some 463 MPs generated altogether only 200 complaints for the Commissioner's attention. The millions of constituents represented by 263 members evidently produced *no complaints at all* for investigation by the office. Every year, as table 2 indicates, there have been many constituencies from which the Commissioner has received not a single case. They have not necessarily been the same constituencies from year to year, of course, although (it should be noted) in May 1974 the Commissioner revealed that over the lifetime of the 1970–74 *Parliament* 'something over 120' members had not referred even one case to him (HC 268, Minutes of Evidence, 8 May 1974, Q. 1).

Figures like these cannot, of course, be said to 'prove' that the Parliamentary Commissioner scheme is under-used. It may be, as the Select Committee judiciously observed in July 1978, that all the MPs who had not referred a single complaint to the office since October 1974 had dealt with their constituency cases so efficiently that there had been no need for them to seek the Commissioner's assistance. On the other hand, the Select Committee suggested, it was also possible that some at least of these members had not fully appreciated the role the Commissioner could play (HC 615/444, p. x). More than a decade later little had changed. Describing itself as 'somewhat concerned' to hear that in 1989 only 361 MPs had used the services of the Commissioner, in December 1990 the Select Committee

reported that it 'suspected' that some MPs were not using the office because of a 'lack of knowledge of his exact role and powers' (HC 129, p. xii).

As we will see in Part II of this paper, MPs' 'lack of knowledge', though no doubt an important consideration, is probably not the only explanation for the relatively small number of cases referred to the Commissioner. What needs to be done, or at least considered, in order to overcome this problem is discussed in Part III.

TABLE 3   Number of MPs referring cases to the Parliamentary Commissioner: 1986

263 (40.5 per cent) of MPs referred no complaints
200 (51.7 per cent) referred one complaint
102 (26.4 per cent) referred two complaints
43 (11.1 per cent) referred three complaints
30 (7.8 per cent) referred four complaints
7 (1.8 per cent) referred five complaints
4 referred six complaints
1 referred seven complaints

Source· Drewry and Harlow 1990

II MPs AND THE OMBUDSMAN

It is often pointed out that the extent to which an ombudsman system is used is very much in the hands of the general public. How much use the citizen makes of an ombudsman is, in turn, related to the degree of public awareness of his existence and functions (Caiden and MacDermot 1983, p. 6; HC 368, p. vi). To what extent the relatively small number of cases handled by the Parliamentary Commissioner can be attributed to ignorance of the office we simply do not know, although survey evidence about the public awareness of other ombudsman arrangements suggests that much of the population probably knows little or nothing about the Commissioner or his work (Office of Fair Trading 1991, p. 57).[1]

The citizen's awareness of an ombudsman system, however, is not the only consideration which affects the degree to which it is used. The arrangements for gaining access to it may also help determine the number of cases an ombudsman institution investigates. As with the French Médiateur, access to the Parliamentary Commissioner is of course indirect. Only MPs may refer complaints to the office for investigation. This feature of the Parliamentary Commissioner scheme ensures that the extent to which the office is employed is a matter not only for the general public, but is also very much under the control of MPs. When constituents take the initiative and ask MPs to refer complaints to the Commissioner, members may react in a variety of ways. They may agree to pass on the case immediately, without more ado. They may resort to the Commissioner only when other methods of securing redress have been tried without success. Use of the Parliamentary Commissioner scheme may at any stage be discouraged by MPs who are unfamiliar with the functions of the office or have no confidence in it. Faced with an insistent complainant few MPs may be prepared gratuitously to risk giving offence to a constituent by flatly refusing to pass on his case, unless of course they are sure that it is outwith the Commissioner's jurisdiction. In principle, however, it

remains open to MPs to decline to refer complaints for any or no reason at all.

A sequence of this kind, with aggrieved persons taking the initiative in asking MPs to refer cases to the office, was clearly one of the scenarios which government spokesmen and back-benchers alike had in mind when the Parliamentary Commissioner scheme was under discussion in the mid-1960s. Members were told that they should not overload the office by making complaints indiscriminately, so that the Commissioner had to waste his time 'sifting out nothing but chaff'. If the scheme was to work, the government argued, MPs would have to do this initial 'filtering'. MPs would themselves (it was hoped) act as a 'screen' from a lot of complaints which could be better dealt with by other methods when they were sure that a particular complaint was not an appropriate one for the Commissioner, or when they considered that it was a case which they could take up more effectively and expeditiously with the minister. After all, it was pointed out, it would probably take longer for the office to investigate a case than it would for a member to deal with it in one of the traditional ways (*Hansard* 1966–67, 18 Oct. 1966, col. 61; *Hansard* 1966, Standing Committee B, 3 Nov., col. 130–1, 165–6).

Implicit in the government's description of the Parliamentary Commissioner scheme, however, there was also another, rather different scenario. The office was described as 'a wholly parliamentary institution', designed to help MPs carry out their traditional functions on behalf of constituents. The government's objective, it was explained, was to give MPs a 'better instrument' with which to protect the citizen. Providing the back-bench MP with 'a new and powerful weapon with a sharp cutting-edge to be added to the antiquated armoury of Parliamentary Questions and adjournment debates', the Commissioner's investigations would make available the possibility of a thorough and impartial investigation into alleged maladministration. The knowledge that this 'new servant of the House' was there should surely put heart into back-benchers who felt that they counted for little more than lobby fodder. Through the office of the Parliamentary Commissioner, it was said, the government was putting at the disposal of the back-bench MP 'an extremely sharp and piercing instrument of investigation' (Cmnd. 2767, 1965; *Hansard* 1966–67, 18 Oct. 1966, col. 44, 49 and 60).

The point is, of course, that 'instruments' and 'servants' are by definition at the disposal of owners and masters to be employed as and when the latter think fit. When MPs use the 'antiquated armoury' of Parliamentary Questions and adjournment debates they do so of their own volition, and not because aggrieved constituents have requested them to deal with their complaints by means of any particular parliamentary or informal method of securing redress. In other words, in this second model of the Parliamentary Commissioner scheme at work it was evidently envisaged that, even when aggrieved constituents had never even heard of the Parliamentary Commissioner, it would be perfectly natural for MPs, given the complainant's consent, themselves to take the initiative in referring cases to the office.

How often MPs do in fact take it upon themselves to suggest that complaints should be referred to the Commissioner we do not know. Pointing out that even those constituents who have some idea of what an ombudsman is and does may not

recognize the 'commissioner' terminology, one observer suggests that if they approach a member with a complaint they may well fail to ask him to pass it on to the Commissioner. He continues: 'Since MPs are overburdened by correspondence, and have been estimated to write some hundred thousand letters annually to departments, it seems unlikely that all invariably trouble themselves further by inquiring of constituents whether they wish the Commissioner to act' (Poole 1983, p. 198). No more, it may be supposed, would MPs enquire of complainants who have no idea of what an ombudsman is or does – almost certainly a considerably larger category – whether *they* wish their cases to go to the Commissioner.

As both 'gatekeepers' (keeping out and letting in complaints from people who know about the office and wish to use it) and 'magnets' (attracting to themselves complaints from constituents who are unaware of the Parliamentary Commissioner's existence and passing on some of these cases to the Office), MPs are thus in a position very largely to determine the extent to which the Parliamentary Commissioner scheme is utilized. Confirming what is obvious enough from the official statistics, table 4 indicates that in the very early years of the Parliamentary Commissioner scheme MPs were making use of the office far less frequently than they employed other techniques for seeking the redress of constituents' grievances. In a survey of MPs conducted in 1970, whereas 100 per cent of MPs reported that it was their practice to write to the minister 'often, very often or always', over 90 per cent of the members questioned said that they resorted to the Commissioner 'rarely, very rarely, or never' (Gregory and Alexander 1973, p. 48).

TABLE 4   Comparative frequency of usage of parliamentary techniques for seeking redress of grievances (percentages of MPs)

Frequency of usage	Parliamentary techniques				
	PCA	Parliamentary question	Approach official	Talk to minister	Letter to minister
Never	10.9	4.3	18.2	0.7	–
Very rarely, rarely	80.8	60.0	27.3	52.7	–
Often, very often	8.3	35.7	46.9	45.9	67.6
Always	–	–	7.6	0.7	32.5
Totals	100.0	100.0	100.0	100.0	100.0

Source: Gregory and Alexander 1973.

The propensity of MPs to make use of the office, it seems reasonable to assume, is related in turn to their views as to its usefulness for their purposes. When asked to assess the utility of the various informal and parliamentary techniques available to them for securing the redress of constituents' grievances, as table 5 shows, the rating 'moderately effective, effective or highly effective' was given to Parliamentary Questions by 58.5 per cent of members; to adjournment debates by 66.5 per cent of members; and to letters to ministers by 92.2 per cent of members. By contrast

only 41.6 per cent of MPs thought that the Parliamentary Commissioner was equally effective. And whereas the rating 'somewhat ineffective, ineffective or highly ineffective' was given to Parliamentary Questions by 22.1 per cent of members; to adjournment debates by 16.9 per cent of members; and to letters to ministers by 1.3 per cent of respondents, as many as 29.9 per cent of members gave this negative evaluation to the Parliamentary Commissioner (Gregory and Alexander 1973, p. 48).

TABLE 5   Perceived effectiveness levels of parliamentary techniques (percentages of MPs)

Perceived effectiveness levels	Parliamentary techniques for redress of grievances					
	Parliamentary question	Letter to the minister	Adjournment debate	PCA	Approach official	Talk to the minister
Highly ineffective/ ineffective	3.9	–	5.2	13.0	2.6	1.3
Somewhat ineffective	18.2	1.3	11.7	16.9	5.2	2.6
Moderately effective	35.1	20.8	36.4	19.5	22.1	18.2
Effective/ highly effective	23.4	71.4	29.9	22.1	36.4	61.1
Unclassified	19.4	6.5	16.8	28.5	33.7	16.8
Totals	100.0	100.0	100.0	100.0	100.0	100.0

Source. Gregory and Alexander 1973

As to why MPs judged the office to be comparatively ineffective and used it relatively infrequently in the late 1960s, there appeared to be two possible explanations. First, there was the question of despatch. If a constituent's grievance was redressed as a result of a member's efforts on his behalf the remedy was likely to be forthcoming far more quickly following a letter to the minister than after a reference to the Commissioner. Because the Parliamentary Commissioner's investigations were nothing if not thorough, they were likely also to be lengthy operations, the average time required to dispose of a case (in the late 1960s) being about five months. Some of the more complex cases, it was noted, took a great deal longer. Clearly, in terms of rapid results the office could not compete with alternative methods of seeking the redress of grievances.

Second, MPs' replies to the 1970 survey left little room for doubt that their lukewarm response to the Parliamentary Commissioner scheme related less to the quality of his work when he was able to help them than to dissatisfaction with the fact that he was unable to help them more often and over a wider field of public administration. Asked to say which aspects of the Parliamentary Commissioner scheme they considered inadequate, 72 per cent of MPs surveyed mentioned as their first response the restrictions imposed on the Commissioner's jurisdiction. And when asked to suggest ways in which the scheme might be improved 67.5 per cent of respondents replied, again as their first response, that the area open

to the Commissioner's investigation should be extended, many of them specifically mentioning local government as a field of administrative action which in their view ought to be brought within the Commissioner's jurisdiction (Gregory and Alexander 1973, pp. 53–4).

A good many changes have taken place, of course, since the 1970 survey was carried out, both in the Parliamentary Commissioner scheme and in the United Kingdom Ombudsman arrangements generally. In 1973 provision was made for a Health Service Commissioner. Local Commissioners for Administration were appointed for England and Wales in 1974 and for Scotland in 1975. In 1987 a wide range of non-departmental public bodies were brought within the Commissioner's remit. The passing years, however, seem to have done little to raise the standing of the Parliamentary Commissioner scheme in the eyes of MPs. Research conducted in 1989 indicated that only 19 per cent of MPs then surveyed found the Parliamentary Commissioner 'very useful'; whereas 67 per cent regarded the office as 'only slightly useful' and 11 per cent considered it 'not at all useful' (Drewry and Harlow 1990, pp. 761–2). By now, it seems, the main cause of MPs' dissatisfaction was the length of time taken by the Commissioner to complete his investigations and produce reports. The attention of the Select Committee had been drawn to this problem in 1986 when one MP complained to it about delay on the part of the office in dealing with a case of alleged maladministration in the Ministry of Agriculture, Fisheries and Food. Though he had been an enthusiast for the appointment of a Parliamentary Commissioner, this MP told the Select Committee, and still admired the quality of his investigations, he had had to advise his constituents that the Commissioner was 'so deplorably slow in his response' that he was 'not the effective channel of redress that Parliament intended when it passed the Parliamentary Commissioner Act' (HC 312, Minutes of Evidence, 23 July 1985, Q. 193).

The average 'throughput time' for investigations at this stage, the Commissioner revealed, had reached 12 months, which (he told the Select Committee) he would have liked to reduce to nine or ten. Anything below that, he thought would be 'unrealistic' and would risk 'sacrificing accuracy and thoroughness' (HC 312, p. xiii). A year later the Commissioner was able to report a slight reduction in the backlog of cases and to persuade the Select Committee that the continuing delay of a year or more in some investigations stemmed not from his office but from departments (HC 251, p. v).

The extent of MPs' concern over the time taken to investigate complaints was confirmed in the 1989 survey referred to above. 'Delay' came highest on the list of 'problems' spontaneously noted by respondents, 16 replies mentioning it, often as a reason for failure to use the office. One respondent, it seems, described the handling of cases as 'very slow and long-winded'; a second noted that he tried to encourage constituents 'to take other action if possible' because of the length of time involved; and a third reflected an MP's perception of a suitable turn-round time of six to nine weeks rather than the six to nine months which was commonplace in the Commissioner's office (Drewry and Harlow 1990, pp. 763–4).

Redress of grievances and the 'audit function'

MPs' complaints about the Commissioner's jurisdiction and about delay on the part of the office, however, may be only symptoms of a deeper problem, arising out of a less than perfect match between the needs and expectation of members on the one hand and the role of the Parliamentary Commissioner, as it has developed in the United Kingdom, on the other. The work of the Parliamentary Ombudsman has been described by the Select Committee as 'an extension of that undertaken by MPs on a daily basis, albeit with different methods' (HC 129, p. xii). Up to a point this is true. But as MPs have discovered, in some circumstances, far from operating as an extension of their own capabilities, the Parliamentary Ombudsman is a less effective grievance-man than themselves unaided. With some justification, MPs have always regarded themselves as a species of 'constituency ombudsman'. In this capacity, they go far and wide, if not particularly deep. Strictly speaking, the remit of MPs runs only to administrative action taken by central government departments for which ministers are accountable to Parliament; in practice, of course, they receive and take up complaints against all manner of public authorities. They also take up all manner of complaints. Their 'ombudsman efforts' are certainly not confined to cases of alleged maladministration. What is more, whilst MPs often fail to secure a favourable outcome to their enquiries, they can usually be sure of getting a result, one way or the other, within a reasonably short period of time.

On the other hand, MPs are also in some respects 'fettered ombudsmen'. No doubt they sometimes secure 'mediatory' solutions to constituents' problems and very occasionally persuade ministers to cancel, vary and reverse discretionary decisions taken without any suggestion of maladministration. But MPs do not have access to civil servants and departmental files. Nor does any particular authority attach to their opinions if and when they find themselves at odds with ministers and officials, not about matters of fact, but about what constitutes good and bad administration.

It was, of course, the ability of the office to fill gaps in their own armoury which government spokesmen had been at pains to emphasize when the Parliamentary Commissioner scheme was introduced in the mid-1960s. As we have seen, the office was indeed described as 'a new and powerful weapon', designed to enable MPs to do a better job on behalf of their constituents. It was soon brought home to MPs, however, that over large areas of their own work this 'new servant of the House' could offer them no assistance at all. Furthermore, as the Parliamentary Commissioner scheme evolved, it also became increasingly apparent that, even when the Commissioner was authorized to investigate their constituents' complaints, for MPs' purposes the utility of the office was very much thrown into question by another, highly distinctive, feature of the United Kingdom's variant of the ombudsman institution.

There are significant differences, of course, between the role of an ombudsman and the 'ombudsman role' as performed by MPs. Elected representatives are *ex parte* advocates; they see themselves as 'people's champions'. This is not the approach adopted by most ombudsmen. As ombudsmen see it, they are obliged to adopt

a position of neutrality and impartiality between complainants and authorities subject to complaint:

> An Ombudsman is not the citizen's lawyer or advocate. He has a duty of objectivity which would be incompatible with such an approach. . . . He is not the citizen's lawyer for the simple reason that if his investigation vindicates the actions of the civil servant he musts not hesitate to uphold him (Maloney 1983, p. 71; see also Hill 1983, pp. 50–2).

Clearly, this is very much the view taken by the present Parliamentary Commissioner. As he told the Select Committee in December 1991, his reports were not always 'comfortable to the Government'; but because he was 'wholly dispassionate' neither were they always entirely comfortable to those who made the complaints in the first place (HC 158, Minutes of Evidence, 18 Dec. 1991, Q. 66. As the Commissioner also points out, the fact that he is 'independent' enables him to give departments a 'clean bill of health' (in a way that ministers cannot) when he finds that complaints are not justified).

In the United Kingdom, moreover, the divergence between the role of the Parliamentary Commissioner and the ombudsman role as played by MPs has been further accentuated by the emphasis which successive commissioners have placed upon the 'audit function' of the office. All ombudsman institutions have a range of essential characteristics in common. At the same time, the office of ombudsman is also very much what incumbents choose to make it. Some see their primary task as that of securing redress for individual complainants. Others, whilst concerned to remedy individual cases of injustice, take the view that their most important function is to monitor the general fairness and efficiency of the administrative apparatus subject to their scrutiny (Serota 1983, p. 29).

Philosophical differences of this kind may, in turn, lead to different methods of working, just as can differing procedural requirements prescribed by the originating legislation. As a former Local Government Ombudsman points out:

> . . . . if the primary objective is to procure satisfactory action for individuals, this may be achieved without any real investigation of the administrative act that led to the complaint. A telephone call to a particular official might produce a solution without the need to establish whether the official's previous action should be criticised. But if the Ombudsman's primary objective is to investigate the administrative actions of the official, then the quick settlement approach will not be enough (Serota 1983, p. 29).

Much the same point is made by an Australian State Ombudsman. Many of his cases, he observes, are settled without the need for 'any strident process of formal criticism'. The success and achievements of the ombudsman, he agrees, are often measured by the percentage of cases cleared up in this 'quiet' manner. But as he also goes on to point out:

> There is, of course, another value in the Ombudsman process, the added role of promoting and facilitating an extended form of public accountability of agencies for their administrative actions. Such a role cannot generally be realised in the quiet streams of settlement and 'quick fix' operations which may be

favoured by the individual complainant. It will come to the fore only with a formal and thorough, thus necessarily more lengthy process of investigation involving inspection of relevant documents, reports and examination of witnesses (Biganovsky 1991).

What is more, if an ombudsman does see his role as that of performing an 'administrative audit', involving an appraisal of the conduct of officials subject to complaint, the question of fairness inevitably arises. As one observer with a legal background puts it:

> A report which characterises a bureaucratic action as 'unreasonable, unjust, oppressive or improperly discriminatory', to use the words of the South Australian statute, may do irreparable harm to the bureaucrat concerning whom the report is made. If the report is ill-conceived and unjustified it may be difficult if not impossible to rectify the harm which results (Mitchell 1991).

An audit implies the possibility of criticism, and clearly criticism can be justified only if the ombudsman's findings are based upon complete and thorough investigations.

If some ombudsmen make the provision of 'quick fix solutions' their main priority, and others concentrate upon promoting an 'extended form of public accountability', there is not much doubt as to the category into which the Parliamentary Commissioner falls. In the United Kingdom, it is suggested, the time and care taken to investigate complaints is greater than in any other country served by an ombudsman system (Gwyn 1983, p. 88. For the Commissioner's investigation process, see Gregory and Hutchesson 1975, pp. 148–72). The office of Parliamentary Commissioner was to some extent modelled on that of the Comptroller and Auditor General; and the first Commissioner, Sir Edmund Compton, was himself a former Comptroller and Auditor General, used to 'ferreting out' by very careful investigations the possible misuse of public funds. In his new role as Parliamentary Commissioner, it is suggested, Sir Edmund saw his major task as that of similarly uncovering official maladministration of other kinds. As he told the Select Committee in 1970:

> My function is to investigate the action taken by a department and decide whether there has been maladministration by the department. So my primary job as investigator – and I am sure this must be right – is to ascertain by inquiry inside the department what those departmental actions were (HC 240, Minutes of Evidence, 25 Mar. 1970, Q. 105).

It was very important, Sir Edmund maintained, 'to go in depth into those parts of the case which seemed to merit investigation'. In his view it was an 'absolute principle of investigations' that his enquiries should be carried out first-hand. He did not feel that he could rely on reports from departments on their own investigations of complaints (HC 240, Minutes of Evidence, 25 Mar. 1970, Q. 105).

It is, of course, true that the investigative procedures followed by the office are in part determined by statute. Section 7(1) of the Parliamentary Commissioner Act requires the Commissioner to begin an investigation by allowing the principal

officer of the department concerned to comment on the allegations contained in the complaint. Thus in 'stage 1' of the process, as Sir Edmund described it, there is in effect an investigation by the government department complained against similar to – but not identical with – that which would have taken place had a Member of Parliament taken up a constituent's complaint directly with the minister rather than with the Commissioner. These internal inquiries provide the office with a full statement of the facts known to the department, and of its view of the case, often with supporting evidence.

Nothing in the legislation, however, requires the Commissioner to go beyond obtaining a statement about a complaint from the department being investigated. But whereas in New Zealand (for example) about three-quarters of the ombudsman's investigations and conclusions rely solely on evidence of this kind, in the United Kingdom only about 5–10 per cent of the Parliamentary Commissioner's investigations, it seems, are limited to an examination by the Commissioner of the department's report on the complaint. The overwhelming majority of the Commissioner's cases move on to 'stage 2'. In something like 90–95 per cent of inquiries the Commissioner's investigators see the relevant files, which are for the most part sent to the office for examination. In about 40–45 per cent of cases the officials concerned are questioned, in their departments, by the Commissioner's staff. And in about 60 per cent of cases the complainants themselves are interviewed in their homes, partly because aggrieved persons find such visits satisfying, and partly because complainants are sometimes in a position to supply information unknown to the department (Gwyn 1983, p. 87. For complainants visited in their own homes by the Commissioner's investigators, the United Kingdom Ombudsman arrangements, it is pointed out, provide a personal touch absent in (for example) New Zealand and Scandinavia).

The final stage in the Commissioner's investigation occurs after he has accepted draft reports on the results of his inquiries. Before the report is forwarded to the MP referring the complaint, the Commissioner sends it to the agency concerned for comment on the accuracy of its factual content. This practice has been adopted partly to give ministers an opportunity to exercise their authority under section 11(3) of the Parliamentary Commissioner Act to prevent information appearing in the report which they believe to be prejudicial to the public interest; and partly to act as a final check on the accuracy of the reported facts of the case which rules out any possibility of departments, when they are criticized, subsequently arguing that the Commissioner had his facts wrong (Gwyn 1983, p. 87).

Given an investigative procedure of this kind it is not perhaps surprising that the Commissioner takes so long over his cases. In part, the *modus operandi* adopted by the office is dictated by the 1967 Act. But what mainly accounts for the distinctive character assumed by the United Kingdom Ombudsman, the argument runs, is the 'role perception' of the first Commissioner, which over time has become institutionalized (Gwyn 1983, p. 88; for further comment on the distinctive 'audit role' of the United Kingdom Parliamentary Commissioner, see Stacey, 1978, pp. 135–7). However that may be, confirmation of the enduring influence exercised by the original incumbent of the office is provided by the present Parliamentary

Commissioner, William Reid. Recalling that the first Commissioner was Sir Edmund Compton, a former Comptroller and Auditor General, he notes that 'the foundations which he laid so effectively have stood the test of time', and points out that the investigation procedure initiated by Sir Edmund in 1967 is 'still in its essentials the one used' (Reid 1992, p. 5).

Significantly, the present Commissioner also confirms that whilst his 'primary task' is to investigate 'a complaint about action or inaction said to have led to injustice for an individual', he regards 'his activities also to be an external control audit of the organizations complained about'. And drawing attention to the importance he attaches to the 'audit' aspect of his work, with its emphasis on the improvement of administrative practices, he continues:

> If I can produce redress for a wronged individual, that is a good thing. It is even better if I can suggest or encourage a change of procedures or systems by the organisation complained against, which will diminish the chance of the circumstances which led to the complaint recurring. I emphasise the need for public administrators...to improve their communication skills, to listen to the public, to minimise delay, to give reasons for their actions, and to concede that appeals and decisions on complaints are openly fairer when decided by an agency external to the one against which the complaint lies (Reid 1992, p. 6).

This is a perspective very different from that of MPs. Members no doubt regard an 'external quality control audit' as a good thing in its way, just as they value the work of the Comptroller and Auditor General. On occasions they also doubtless recognize that it is the very *de luxe* quality of the Commissioner's investigations which does the trick, and helps secure remedial action previously denied their constituents (see, for example, Gregory and Drewry 1991). But for the most part when MPs take up complainants' cases they are not concerned to discover in detail exactly what officials did and why. Only secondarily are they interested in whether or not administrators have behaved properly. Their main interest is certainly not in the improvement of administrative procedures and systems for the future. What chiefly concerns MPs is the outcome of their cases, and how matters stand at the end of the day.

Given the Parliamentary Commissioner's philosophy and the requirements of the 1967 Act on the one hand, and the very different preoccupations of MPs on the other, the chances of enhancing the value of the office in the eyes of MPs, and therefore of increasing the use they make of it, are clearly limited. This is not to say, however, that nothing can be done more effectively to realize the full potential of the office.

III WHAT IS TO BE DONE?

In the twenty-five years of its existence the Office of Parliamentary Commissioner has clearly established itself as a valuable addition to the apparatus of complaint-handling mechanisms available to United Kingdom citizens. Few institutions, however, work so well that they cannot be improved. So far as the Parliamentary Commissioner scheme is concerned there is reason to think that the office could,

with advantage, be more extensively used. But the problem is not simply one of increasing the Commissioner's case-load. There would be no point in bringing into the office for investigation complaints which could equally well be cleared up by other means. Nor should it be forgotten that, in terms of grievances redressed and avoided, changes in administrative practice and procedures effected by the Commissioner in the performance of his 'audit function' are no less valuable than the provision of remedies in individual cases. It might be difficult, some would argue, to retain the 'quality control' side of the Commissioner's work if a larger case-load meant that complaints could no longer be investigated with the care and thoroughness which has always marked virtually all inquiries undertaken by the office. That said, there do appear to be some things which most observers agree need to be done if the Parliamentary Commissioner scheme is to be employed more widely and to better effect.

Publicity

If, as seems likely, MPs rely very largely on constituents to take the initiative in asking for complaints to be referred, clearly the extent of public awareness of the office and its functions must be increased if more cases are to find their way to the Parliamentary Commissioner for investigation. Over the years, Commissioners have adopted a variety of methods – press, radio and television interviews; accepting invitations to address universities, schools, clubs, societies and local 'multipliers' such as citizens advice bureaux; contributions to professional journals and an explanatory video; and the distribution of posters and information leaflets to public libraries – in an effort to make the existence and activities of the office better known to potential complainants (PCA 1978, Annual Report for 1977, paras 5–10; PCA n.d., Annual Report for 1979, para. 12; PCA 1983, Annual Report for 1982, para. 13; PCA 1992, Annual Report for 1991, para. 9). Clearly it is essential that activities of this kind should continue. But as the Parliamentary Commissioner pointed out in 1977, 'the most effective form of publicity is probably the publication of reports of specific investigations' (PCA 1978, Annual Report for 1977, para. 8). Agreeing that this was so, in 1978 the Select Committee invited the Commissioner to consider selection of a greater number of cases each year for the purpose of occasional reports under section 10(4) of the Act, instead of including them in his regular publications of the edited texts of the reports he had made to members (HC 615/444, p. xi). For reasons that are not clear, few such reports have in fact been published. More of them would certainly serve to keep the Commissioner in the public eye.

  Nor is there any reason why governmental bodies subject to investigation by the Commissioner should not help publicize the work of the office. In evidence to the Select Committee the Commissioner points out that the Citizen's Charter, published as a White Paper in July 1991, makes reference to complaints procedures and the need for independent complaints machinery. He notes that whilst in the section on the national health service the White Paper helpfully notes that complaints may be made to the independent Health Service Commissioner, no equivalent mention is made of the Parliamentary Commissioner in the passage

about prisons which follows, although such complaints may be referred *via* a member to the office (HC 158, Memorandum from the PCA, 25 Nov. 1991, pp. 12–13, para. 4). As the Commissioner goes on to point out, throughout the White Paper there is reference to forthcoming charters dealing with particular services, among those envisaged being charters for patients, parents, tax-payers, passengers, families, job seekers, national insurance contributors, those deriving benefits from the Social Security Benefits Agency and others. While the best way of settling complaints, the Commissioner acknowledges, is to provide means for a quick local solution, where that does not resolve disputes it is essential that the complainant should be informed by the organization he is dealing with how to take matters further. In that connection, the Commissioner goes on:

> It would be very helpful if the practice adopted by the Tax-payers' Charter were widely followed. That Charter indicates clearly how to appeal to external tribunals or to the Parliamentary Commissioner when complaints are not settled. References to customer service managers and to clear procedures for handling enquiries and difficulties locally are welcome but internal complaints procedures alone do not provide either the *independent* investigation of complaints which characterises the Parliamentary Commissioner's activities, or the access to independent tribunals which is so important for the rights of a citizen (HC 158, Memorandum from the PCA, 25 Nov. 1991, p. 12, para. 5).

In subsequent evidence given to the Select Committee on behalf of the government it was indicated that the charter programme provided an opportunity to ensure that people are aware of the role of the Parliamentary Commissioner. For its part, the Select Committee has expressed some concern that the sheer variety of complaints procedures which may be available should not divert attention away from the Commissioner's role. Central guidance from the government, the committee maintains, should emphasize to staff the importance of directing potentially dissatisfied complainants, whose grievances might not have been remedied by internal review, towards the Parliamentary Commissioner. In particular, the committee observed, leaflets on how to complain about government services should mention the Commissioner's role, as does the Jobseeker's Charter published in December 1991 (HC 158, p. viii).[2]

Given the key role played in the Parliamentary Commissioner scheme by MPs, it is of course important that they, as well as members of the public, should be aware of the office and its functions. As the Select Committee observed in 1978, it considered that there was a need for the Commissioner's work to be brought more forcefully to the attention not only of the general public but also of MPs (HC 615/444, p. x). Quite possibly more could have been done to this effect. Commenting on the Parliamentary Commissioner's Annual Report for 1989 the Select Committee notes that it includes one paragraph about the publicity efforts of the office, but 'curiously' makes no mention of MPs who must refer cases. The Select Committee went on to suggest to the Commissioner that when the leaflet about his role was revised a copy should be sent to all MPs with a covering letter (HC 129, p. xii). This suggestion was duly acted upon by the Commissioner (HC 368, p. vi; PCA 1991, Annual Report for 1991, para. 9) who wrote personally to

all MPs in January 1991 drawing their attention to the existence and functions of the office.

Though the government has shown no great enthusiasm for the idea, the Select Committee has also long been of the opinion that one of the most effective ways of 'raising consciousness' among MPs about the role and work of the office is by debate on the floor of the House of Commons. The very announcement of such debates, the committee argues, would alert MPs to the Commissioner's existence, even if they did not attend them. The debates themselves, the committee argues, would also provide a sharper focus for media interest (HC 129, p. xiii).

In its report published in December 1990 the Select Committee looked forward 'to further efforts by the Parliamentary Commissioner to enhance knowledge of his work and role among MPs' (HC 129, p. xiii). Exactly what the Commissioner was expected to do was left unclear. There is, however, one simple but important point which seems to be overlooked or disregarded by many MPs. As the Chairman of the Select Committee puts it: 'The Parliamentary Ombudsman system can only work if MPs continue to be willing to refer cases to him *and recommend the referral to constituents unaware of the Ombudsman's existence*' (Buck 1992, p. 7); (authors' emphasis added). This is something which ought surely to be brought to members' notice with more force than hitherto.

Access

But if under-utilization is related chiefly to the lukewarm attitude of MPs towards the office and its operations, no amount of additional publicity for the Parliamentary Commissioner scheme will persuade members to make more use of it. A short way with this problem would of course be not to remove the causes of MPs' discontent but rather to remove MPs from the referral procedure. If there were direct access to the office it would matter not what members felt about the Parliamentary Commissioner scheme, for then they would no longer be in a position to determine the number of cases reaching the office for investigation.

There seems little chance, however, of such a change being made. In the 'Review of Access and Jurisdiction' it published in July 1978 the Select Committee concluded that there was no need for direct access to the Parliamentary Commissioner, approving instead the 'revised system of indirect access' introduced by the Commissioner as from the Spring of 1978. (Under this revised procedure the Commissioner undertook to offer to send *prima facie* investigable complaints received direct from members of the public, together with any accompanying papers, to the constituent's MP, saying that he was prepared to start an investigation should the MP wish him to do so; see HC 615/444, p. ix). Subsequently, in its report published in December 1990 the Select Committee declared that, in its view, the distinctive role of MPs in the British system justified the continuance of the MP filter, whereby cases had to be referred by a member before consideration by the Commissioner (HC 129, p. xii). In written evidence submitted to the Select Committee in November 1991 the present Parliamentary Commissioner, William Reid, commented that 'on the basis of comparison with most foreign jurisdictions and with the Local Government Ombudsmen in England, Scotland and Wales,

it may be potentially disadvantgeous to some complainants that they have to approach the PCA through a Member of the House of Commons' (HC 158, Memorandum from the PCA, 25 Nov. 1991, p. 12, para. 3). The Select Committee, however, reported that it continued to believe that the advantages of the current system outweighed its disadvantages (HC 158, p. viii). As for the generality of members, it is noteworthy that the one aspect of the Parliamentary Commissioner scheme endorsed by substantial majorities in both the 1970 and 1989 surveys was the provision for indirect access *via* MPs (Gregory and Alexander 1973, p. 55; Drewry and Harlow 1990, p. 758).[3]

Jurisdiction

If a change to direct access is not yet in the realms of practical politics, it may none the less be possible to alleviate the problem of under-utilization by doing something to lessen the dissatisfaction evidently felt by many MPs with the way in which the Parliamentary Commissioner currently operates. As we saw in Part II, what mainly concerns MPs are the restrictions placed on the area open to investigation by the Commissioner; and the length of time taken by the office to complete its inquiries and issue reports.

So far as the Commissioner's jurisdiction is concerned, as the Select Committee notes, this has been one of its 'abiding concerns' ever since the office was established in 1967 (HC 129, p. v). As table 2 indicates, in every year in the history of the Parliamentary Commissioner scheme, more than 50 per cent of the cases referred by MPs have been rejected by the Commissioner as being outwith his jurisdiction. In the 1980s the percentages were even higher than in the 1970s and 1960s. It is true that from time to time extensions have been made to the area open to investigation by the Commissioner. In 1979, for example, the actions of career consular officials abroad in relation to UK citizens with the right of abode in the UK were brought under the Commissioner's jurisdiction (SI 1979, no. 915). Subsequently, by means of the Parliamentary Commissioner (Consular Complaints) Act 1981, the Commissioner's jurisdiction was further extended so as to enable British citizens resident overseas to make complaints about the quality of the assistance they receive from consular officials. Something like a hundred non-departmental bodies were brought within the Commissioner's remit by the Parliamentary and Health Service Commissioner Act 1987. And a long dispute between the Commissioner and Select Committee on the one hand, and the Lord Chancellor's Department on the other was brought to an end by the inclusion within the Courts and Legal Services Act 1990 of provisions permitting 'administrative functions exercisable by any person appointed by the Lord Chancellor as a member of the administrative staff or any court or tribunal' to be investigated by the Commissioner, though excluding action 'taken at the direction, or on the authority (whether express or implied), of any person acting in a judicial capacity or in his capacity as member of the tribunal' (HC 129, pp. vi–vii).

But as the Select Committee points out, little progress has been made in extending the Commissioner's jurisdiction to other important areas of central government excluded from his remit by schedule 3 to the Parliamentary Commissioner Act 1967.

These include 'action taken in matters relating to contractual and commercial trans-actions' and 'action taken in respect of appointments or removals, pay, discipline, superannuation or other personnel matters' in relation to Crown servants subject to investigation. The exclusion from the Commissioner's jurisdiction of Crown personnel matters has been a particular bone of contention between the Select Committee and successive governments over many years. And as the committee has made clear, it remains of the opinion that complaints arising prior to appoint-ment to the civil service and after retirement should be within the Commissioner's remit. As it also points out, this may be a matter of increasing importance as the trend towards devolved recruitment in the civil service gathers pace (HC 129, p. vi).

The fact is of course that the exclusion from the Commissioner's jurisdiction of none of the 'matters not subject to investigation' listed in schedule 3 to the 1967 Act has ever been justified in terms of the original rationale of the Parliamentary Commissioner scheme, for as its architects explained at the outset, the function of the office was to strengthen the machinery of parliamentary surveillance over administrative action by providing MPs with a new instrument for investigating 'the area of Ministerial and therefore of Parliamentary control'. Clearly, there was therefore no case in principle for excluding from the Commissioner's remit anything it was open to MPs to take up with ministers.

Approaching the same issue from a different angle, in its report published in December 1990 the Select Committee points out that in both Sweden and Denmark there appears to be a presumption in favour of decisions of public servants being subject to investigation by the ombudsman, unless there is a sound reason to the contrary. The Committee goes on to declare:

> We believe that a similar presumption could and should operate in the United Kingdom, namely, that all decisions of civil servants and others within appropriate departments and public bodies involving maladministration should be subject to investigation by the Parliamentary Commissioner for Administra-tion, unless any constitutional principle, such as the independence of the judiciary dictates otherwise (HC 129, p. vi).

That surely is the guiding rule which ought to determine what is and is not made subject to investigation by the Commissioner. It is a principle which, if adopted by the government, would serve to widen the Commissioner's jurisdiction, increase the number of cases referred to and investigated by the office, and at the same time do much to remove the restricted nature of the Commissioner's remit as a cause of dissatisfaction reducing the value of the office in the estimation of MPs.

Considerations of this kind relate to what might be termed the 'spatial' aspects of the Commissioner's jurisdiction. Rather different issues are raised by another restriction on his remit, namely the provision authorizing the office to investigate only cases in which aggrieved persons claim to have suffered 'injustice on con-sequence of maladministration'. In its critique of the Parliamentary Commissioner scheme published in 1977 JUSTICE proposed that the Commissioner 'should no longer be limited to investigating complaints about "maladministration"', and argued that instead he should be empowered to 'investigate and report on "acts

and omissions" which were "unreasonable, unjust or oppressive"' (p. 25). As the Commissioner pointed out, however, the term 'maladministration' had been interpreted with great flexibility by himself and his predecessors. As he also made clear, there was nothing anyway in the 1967 Act to prevent him from investigating complaints to the effect that the actions of government departments had been 'unjust or oppressive'. An 'unreasonable' act, he acknowledged, was difficult to define. He believed, however, that in practice he would have no difficulty in investigating a complaint of this kind (PCA 1978, Annual Report for 1977, para. 19).

What sometimes complicates discussion is the fact that the term 'maladministration' is used not only in relation to the Commissioner's jurisdiction but also to delimit his 'competence', that is, the grounds on which he is authorized to criticize or question administrative action subject to complaint. S.10(3) of the 1967 Act provides that, if after conducting an investigation, it appears to the Commissioner that injustice has been caused to the person aggrieved in consequence of maladministration, and that injustice has not been, or will not be remedied, he may, if he thinks fit, lay before each House of Parliament a special report on the case. And s.12(3) declares that nothing in the Act authorizes or requires the Commissioner to question the merits of a decision taken without maladministration by a government department or other authority in the exercise of a discretion vested in that department or authority.

In view of what the Commissioner has said about his interpretation of 'maladministration' in connection with jurisdiction; and bearing in mind that since 1968 the Commissioner has operated on the principle, recommended by the Select Committee, that 'if he finds a decision which.. appears to him to be thoroughly bad in quality, he might infer from the quality of the decision itself that there had been an element of maladministration in the taking of it', there would appear to be little scope in practice for further enlarging the grounds on which administrative action could legitimately be open to criticism by the Commissioner. This was the view taken by the Select Committee in its report published in July 1978 when it concluded that no change was needed in the definition of maladministration.

Furthermore, to judge from the Commissioner's Annual Reports, confining his competence to 'maladministration' seems not to have restricted unduly his scope for characterizing as defective or faulty in some way the administrative action he investigates. As table 1 indicates, throughout the 1970s and 1980s he regularly found 30 or 40 per cent of the complaints he investigated wholly justified; in many other cases he found it necessary (while not upholding the main complaint) to criticize at least some aspects of departments' handling of matters. In 1989, for example, the Commissioner upheld 48 per cent of complaints investigated; in almost as many cases again (42 per cent) he was critical of departmental action while not finding that the faulty administration in question had inflicted injustice on the complainants (HC 129, p. xii). If there is indeed no case for extending the concept of 'maladministration' in relation to the Commissioner's competence, nothing would be gained by redefining the term in connection with his jurisdictional remit. Clearly, there would be no point in permitting the Commissioner to admit for investigation (say) cases in which complainants took exception, essentially, to the 'merits' of

discretionary decisions, if at the end of the inquiry it was beyond the Commissioner's competence to question the merits *per se* of such decisions taken without maladministration.

'Throughput time'

The other main cause of MPs' dissatisfaction with the Parliamentary Commissioner scheme relates to the 'throughput time' taken by the Commissioner to report on complaints investigated. In 1989 the diversion of time and effort required to deal with the Barlow Clowes affair not surprisingly had the effect of putting a brake on the office's drive to increase the output of reports and to bring down the time taken over individual cases. The average throughput time, consequently, rose from just over twelve months in 1988 to slightly over fifteen months in 1989. This increase, the Select Committee notes, was regrettable, particularly since, as the Commissioner himself had recognized, even twelve months was much longer than the referring member and indeed the aggrieved citizen should have to wait (HC 129, p. iv).

As the Select Committee acknowledged, the speed with which investigations are completed depends in part on the response time of the departments concerned. All departments, the Select Committee emphasized, were expected to respond to the commissioner's initial inquiry within six weeks. In 1989, the committee was told, there had been only seven cases in which a response was not received within this maximum period. The efforts made by departments in this regard, the Select Committee observed, called for a matching change in the speed of work in the office itself. Agreeing that this was so, the Commissioner outlined various measures he had taken to accelerate the production of reports 'with no loss of thoroughness' in the investigations. The increase in throughput time, the Commissioner told the Select Committee, had been checked, and as the backlog of old cases was eliminated, he said, it ought to be possible to make progress towards 'the ambitious target' of nine months as the average time for the investigation of cases (HC 129, p. iv).

There were signs in the course of the following year, it was reported, that the Commissioner's efforts were beginning to pay off. By the end of 1990, the Commissioner told the Select Committee in April 1991, as a result of 'hard pounding' on his part the average length of time taken to complete investigations had fallen to thirteen months and ten days, a 20 per cent reduction from the beginning of the year. Assuring the Committee that he would 'keep on pounding', the Commissioner said that he had set as 'an interim target' an average throughput time of twelve months (HC 368, p. v). In his subsequent Annual Report for 1992 the commissioner noted that an investment of some £650,000 in a computerized management information system would help the office provide a faster and more effective service (PCA 1992, Annual Report for 1991, para. 10), as would the development of a published 'management plan' setting out annual performance targets and results actually achieved as regards the time taken to complete his inquiries (PCA 1992, Annual Report for 1991, para. 7 and appendix B).

Given the *de luxe* quality of the Commissioner's investigations, an average

throughput time of nine months may indeed represent an ambitious long-term target. But even nine months is a period of a quite different order from the time taken by other grievance-handling mechanisms available to MPs. So that even if the Commissioner succeeds in achieving his target, doing so may not be enough by itself significantly to change MPs' perceptions of the usefulness of the office for their purposes. They were concerned about the problem of 'despatch' after all, even in the days when the Commissioner's throughput time was a good deal shorter than nine months. So far as 'throughput time' is concerned, though it might go against the grain, arguably the only way of persuading members to take a markedly more favourable view of Parliamentary Commissioner scheme might be for the office to accept some 'loss of thoroughness' in order to reduce substantially the time taken over at least some of the complaints investigated.

A 'two-tier' system of investigation?

It is interesting in this connection to recall the view put forward in 1977 by JUSTICE, which argued that the 'very thorough' method of investigation followed by the Commissioner was 'unnecessary for the more routine or simple type of case', in which 'a telephoned inquiry could often produce a change in decision and immediate redress to the complainant'. The Commissioner, JUSTICE suggested, should adopt simpler methods for dealing with many complaints alongside his very thorough, 'Rolls Royce', method of investigation which would still have its place for the more difficult cases (1977, pp. 6–7).

A procedure which appears to operate along these lines has in fact been introduced in Northern Ireland. In his Annual Report for 1990 the Northern Ireland Parliamentary Commissioner explains that the Screening Section of his office attempts to resolve complaints falling within his jurisdiction on an informal basis if it is clear that 'there is no evidence of serious maladministration and it is likely that the matter can be resolved speedily without recourse to formal investigation and report'. In general, he observes, it appears that complainants are happy to see matters dealt with in this way, particularly if it means that their complaint is redressed within the shortest possible time.

The adoption of a 'two-tier system of investigation', the Northern Ireland Commissioner maintains, does not reflect any lack of concern to deal with maladministration where it exists. He continues:

> If the complaint arises from a single lapse, or a minor deviation from the rules, I will generally be satisfied if the complainant is given his or her due and an apology in appropriate terms. If the administrative failings while still relatively minor, reflect a systemic weakness or a lack of clarity in the instructions I will generally write to the Permanent Secretary or Chief Officer calling his attention to the case and suggesting that he might wish to review the procedures. If my preliminary enquiries, which can be quite searching, and involve my officers inspecting files and speaking to officials, disclose either the possibility of serious maladministration or a pattern of persistent failure to observe reasonable standards, then I will give formal notice and begin a formal investigation.

In 1990, the Commissioner reported, 81 cases had been cleared without formal investigation, and 26 cases were accepted for formal investigation. The average time taken between receiving a complaint, investigation and issuing a report, he noted, had been thirteen months. Informal enquiries, on the other hand, had been generally dealt with by telephone or fax, and had produced, usually, an immediate reply. The average time for disposing of a complaint informally had been six weeks, and some had been dealt with in as little as one or two weeks (Northern Ireland Parliamentary Commissioner for Administration and Commissioner for Complaints (Northern Ireland PCA) 1991, Annual Report for 1990, pp. 4, 5 and 8).

Whether a 'two-tier' approach of this kind, which has been welcomed by the Select Committee (HC 167, p. v), would be compatible with the requirements of the 1967 Act is not altogether clear. But it is certainly a possibility worth consideration, both as a means of ensuring that some cases at least are dealt with more speedily, thereby raising the esteem of the office in the eyes of MPs, and also as a solution to the problem of dealing with more cases if greater public awareness and enhanced 'MP satisfaction' should result in a substantial increase in the number of referrals.

A 'fast-track' procedure on the lines operated by the Northern Ireland Parliamentary Commissioner is not necessarily the only two-tier method of dealing more quickly with some of the complaints referred to the office. As we saw in Part II, having obtained a statement of the facts known to the department concerned, in virtually every case admitted for investigation the Parliamentary Commissioner proceeds to 'stage 2' and conducts his own full-scale inquiry. But, it is suggested, there is no reason why the Commissioner should not, like other ombudsmen, vary the degree of thoroughness with which he investigates to accord with the complexity and significance of the complaints presented to him. In some cases, it is argued, the facts are not in dispute; what is at issue between complainants and the agencies complained against is the construction or interpretation which should be placed upon the facts. In these circumstances, it is suggested, the department's version of the story will provide the Commissioner with all he requires by way of factual information. The function of the Parliamentary Commissioner in cases of this kind, it is argued, should be not to duplicate the internal investigations carried out by a department, but to evaluate the department's performance in the light of his own standards of what constitutes good and bad administration (Gwyn 1983, pp. 88–9).

Any procedure which omitted 'stage 2' of the Commissioner's current inquiry process would of course be open to objections. For a start, it is of course true that when an ombudsman relies upon agencies subject to complaint to provide the facts it is always possible that discreditable or unacceptable administrative conduct, which would have been uncovered by an external investigation, will remain concealed. The first Parliamentary Commissioner once told the Select Committee that if he had made a practice of accepting admissions of error as a reason for not enquiring further, departments might have been tempted to acknowledge one mistake, or relatively unimportant shortcomings, in the hope of avoiding a more thorough investigation leading to the disclosure of additional or worse defects (HC 240, Minutes of Evidence, 25 March 1970, Q. 106). On the

other hand, since departments are aware that the Commissioner may in any case carry out his own investigation if he thinks fit, that consideration alone would in all probability act as a strong deterrent if they ever felt inclined to tell the office less than the full story. It could also be argued that if the Parliamentary Commissioner does not bring to the investigation of every case something that goes well beyond what MPs can do on their own, by setting in train an internal investigation (that is to say, unless the office does operate a 'stage 2' inquiry), there is little point in having the institution at all.

To this objection to the introduction of a two-tier procedure there are two answers. In the first place, even when the office had not carried out its own investigation the Commissioner would still be in a position to provide an authoritative external evaluation (which has no counterpart in the procedure initiated by MPs) of the administration action subject to scrutiny. And secondly, the internal procedures set in motion within departments in response to a request for comments from the Commissioner are by no means identical with those activated by inquiries from MPs. Complaints forwarded by MPs to ministers are of course investigated with care and attention. The internal investigations undertaken by departments following inquiries from MPs are, however, geared to replies which will be 'painted with a broad brush'. The Commissioner, it is said, 'asks more questions and gets more answers'. He certainly expects a much fuller story than departments will normally supply to MPs. Moreover, complaints taken up by the Parliamentary Commissioner, unlike most of those pursued by MPs with ministers, are 'elevated' to the very top of the administrative hierarchy and invariably cross the desk of the Permanent Secretary. A department's comments on a Parliamentary Commissioner case, therefore, are not only based upon an internal investigation of a rather different kind from that carried out in reponse to MPs' inquiries; they also take account of the views of the most senior official in the department, which are not always the same as those of his subordinates (Gregory and Hutchesson 1975, pp. 152, 368 and 413–4; for further comment from the then Head of the Home Civil Service on this aspect of Parliamentary Commissioner case work, see HC 615/444, Minutes of Evidence, 10 May 1978, Q. 143).

A further possible objection to the introduction of a two-track investigation process on the part of the Parliamentary Commissioner relates to the value of his 'audit function'. It has been pointed out that although the total number of individual complaints upheld by the Commissioner has been relatively small (because he has investigated relatively few cases), the fact is that 'many thousands of taxpayers, recipients of social services, property owners, automobile licensees etc. have been helped by changes in administrative practices and procedures resulting entirely or in part from the Commissioner's investigations and reports'. The performance of this 'ombudsmanic function', it is suggested, may be enhanced by the Commissioner's 'exhaustive investigations' (Gwyn 1982). At first sight, it seems to be a persuasive enough line of argument. Effective cures are based upon accurate diagnoses; and accurate diagnoses call for a careful and thorough examination of patients and ailments.

On the other hand, evidence from other ombudsman systems indicates that the

use of informal methods for dealing with complaints need not impair an ombudsman's effectiveness in the role of administrative critic. An account of the Hawaiian Ombudsman's *modus operandi* suggests that even the briefest of investigations may sometimes result in the revision of a 'poor procedure' (Gwyn 1983, pp. 83–4). As we have seen, employing 'fast track' arrangements in some cases does not prevent the Northern Ireland Parliamentary Commissioner from concerning himself with 'systemic weaknesses' (Northern Ireland PCA 1991, Annual Report 1990). And in France the Médiateur, while he 'cannot investigate directly into the administration' and 'has to rely on investigations conducted by the administration itself', has none the less become 'a prime instrument of the new strategy of administrative reform', simply because 'he is in a position to receive much information on administrative malpractices and to mediate between the administration and the public, which is the primary objective behind current administrative reform programs' (Menier and Desfeuilles 1983, pp. 107 and 110).

Whether a two-tier system of investigations would prove workable in practice, and whether or not the disadvantages associated with it would outweigh any good it might do in terms of reducing the throughput time of some cases, thereby raising the standing of the office in the estimation of MPs and increasing the number of cases they refer, must remain a matter of debate and conjecture. There is no suggestion, it should be said, that anything more than a limited proportion of cases admitted for investigation should be singled out for 'stage 1 only' treatment. Reflecting on what might happen to the Parliamentary Commissioner scheme if there were a 'system of direct access', the Head of the Home Civil Service told the Select Committee in May 1978 that 'the whole nature of the Ombudsman's Office would be changed from that of a very high-powered office inquiring into a few relatively complex cases into a vast citizens' advice bureau.. ' (HC 615/444, Minutes of Evidence, 10 May 1978, Q. 143). The public interest, clearly, would not be served by a transformation of that kind, whether brought about by direct access or by the adoption of a less time-consuming investigation process in an effort to deal with one of the causes of MPs' sense of dissatisfaction with the office.

Turning the MP filter to advantage

Some might argue, indeed, that altogether too much emphasis is given in this article to the views and preoccupations of members. There is no escaping the fact, however, that it is their attitudes and practices which are central to the success of the Parliamentary Commissioner's operations. If MPs disapprove of the office or have no confidence in it, clearly they are in a position to ensure that its full potential is not realized. What is less often appreciated is that the distinctive role of MPs as well-informed 'magnets' for the office could be turned to the positive advantage of the Parliamentary Commissioner scheme.

Most ombudsman systems, it is said, are to some degree under-used (Caiden 1983, pp. xix–xx). The reason, in part, is no doubt to be found in the problems of making the existence and functions of the office sufficiently well known in the population at large. But as the Parliamentary Commissioner put it in his Annual Report for 1982, 'the need for "missionary work" is arguably less in this country

than in others where Ombudsmen may take up complaints referred to them directly by the citizen' (PCA 1983, para. 13). No one would seriously suggest that the extent of public awareness of the office is a matter of no consequence. But because the activities of MPs as 'constituency grievance men' are well established and understood; and because it is open to MPs to refer complaints from aggrieved persons who may be unaware of the Parliamentary Commissioner and his functions, the extent of *public* as opposed to parliamentary knowledge of the office ought not to be anything like as important a problem in the United Kingdom as elsewhere. If the advantages for the office of having 651 MPs as possible 'out-stations' and points of contact with the general public are to come into play, however, it is essential that MPs themselves should understand how the Parliamentary Commissioner scheme works and be reasonably well-disposed towards it.

NOTES

1. The *Annual Consumer Dissatisfaction Survey 1990* showed that, when prompted, 27 per cent of consumers were aware of the Insurance Ombudsman, 24 per cent of the Banking Ombudsman and 22 per cent of the Building Societies Ombudsman. As the survey notes, these figures are almost certainly over-estimates.
2. HC 158, p. viii. This is a significant development because, of course, few organizations, public or private, are keen to advertise the complaint-handling mechanisms to which aggrieved citizens or customers may resort. Commenting on the 'strong reluctance' often found among administrators to say to aggrieved persons 'if you do not accept my decision you can go to the Ombudsman', a former United Kingdom Local Ombudsman notes that the public library close to the Local Ombudsman's London office displays posters telling citizens how to complain about a wide range of agencies, but not about the local authority that runs the library; see Serota 1983, p 36.
3. In the 1970 survey, 75 per cent of MPs were 'opposed' or 'strongly opposed' to direct access; only 13 per cent expressed support for a change in the scheme to permit aggrieved persons to approach the Commissioner direct. Nearly two decades later, in the 1989 survey, 23 per cent of MPs questioned were in favour of direct access, 67 per cent were opposed, and 8.5 per cent offered no response

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CHANGE IN THE MANAGEMENT OF PUBLIC SERVICES

JOHN STEWART AND KIERON WALSH

This article identifies the main themes in recent changes in public sector management and shows the extent of the challenge to past organizational assumptions. While recognizing the objectives of the changes could bring benefits if realized, it argues that there are a series of issues that are unresolved. The language of consumerism, the development of government by contracts, the form of performance management and the use of quasi-markets are seen as creating problems. These are seen as deriving from an attempt to apply approaches drawn from the private sector to the public domain. It is argued that they need to be balanced by approaches that recognize the values of the public sector.

INTRODUCTION

All parts of the public sector in Britain face, or have faced, major management change. Many of the changes have been initiated by the government, although some of them, are the result of independent initiatives, for example, by local authorities. The changes are a response by government to wider social and economic changes and an expression of developing ideas and ideologies. John Major, when Chief Secretary to the Treasury, in a lecture for the Audit commission entitled 'Public Service Management – the Revolution in Progress', stated:

My theme is the impact of general economic developments on public service management – the changes they make necessary in the public services, the opportunities they offer public service providers, and the benefits they will deliver for the wider community, both as taxpayers and as users.

He argued that the change within the public services

...is nothing less than a revolution in progress. Because it has been gradual, and has involved a high degree of co-operation by staff, it has not had the acknowledgement it deserves. Nor has the staff for their part in it. But it is a revolution, nonetheless, and its impact is dramatic (Major 1989, p. 1).

Whether the developments are so great as to call them a revolution may be subject to debate. Certain of the changes have been carried into practice but some have proved difficult to implement. We accept, however, that the nature of public

John Stewart is Professor of Local Government Administration and Kieron Walsh is Professor of Public Sector Management in the School of Public Policy at Birmingham University

service management is changing and we will argue that, while some of the changes strengthen it, others create major problems because they involve the adoption of models based on the private sector – and often over-simplified private sector models – without regard to the distinctive purposes, conditions and tasks of the public sector. This has meant that, in some cases, the practical impact has been small. As Johan Olsen, writing about Scandinavian experience, has argued

> Possibly private sector models have had more impact on how we talk about the public sector than on how it works. In a period where the private sector is assumed to be modern and the public sector is old-fashioned, it is tempting for the public agencies to change their basis of legitimacy.
> The image presented of the private sector is seldom based on empirical observations of how this sector actually works. Rather it is taken from how introductory text books in business administration say it should work (Olsen 1987, p. 3).

The public service, it seems, can only retain legitimacy by changing the way that it is managed, or appears to be managed, to reflect ideas about what constitutes good management, which will typically be based on private sector ideas. In many cases, as Meyer and Rowen (1977) argue, the change will be ritualistic. Moreover, because it is difficult to measure objectively the performance of the public service there is a tendency to imitate those organizations that are seen, whether rightly or wrongly, as effective (Dimaggio and Powell 1985). The result is that change is not introduced to solve specific problems, but to express ideological commitment. The use of market and private sector management methods has been identified as a general solution to public sector problems. But the introduction of private sector approaches itself introduces new problems and issues. The public realm must act to reconcile, if only formally, conflicting interests and values, to pursue multiple purposes, and to enable accountability. The mechanisms of private sector management will not easily adapt to these demands and purposes. It is the identification of the problems resulting from the use of new, private sector based models of public service management that provide the main focus of the article.

THE MAIN STEPS TO CHANGE

Each of the parts of the public sector in Britain has been subject to investigation or legislation which has led to management or organizational change and some other parts have been privatized in the full sense of the term. The sale of nationalized industries or of council houses involve a transfer of assets from the public sector to the private sector with, at best, a regulatory role retained by the public sector. That privatization process has, however, only been taken a certain way and has inherent limitations. Madsen Pirie, Director of the Adam Smith Institute, acknowledges that: 'It is also recognised that privatisation in Britain is nearing the end of its initial agenda' and that:

> There is scope for directing attention to those services which governments have preferred to keep within the public sector, and to asking if ways can be found to make these services in turn direct their output to the satisfaction of the wants

and needs of their customers, that is, to the recipients of the services (Pirie 1991, p. 4).

The emphasis in the restructuring of the management of public services has been increasingly placed, both by the government and opposition, on strengthening the position of the public as customer or as citizen in public services. The government's White Paper on The Citizen's Charter follows on and brings together a series of changes in the management and organization of different public services.

The civil service

The Rayner scrutiny programme which involved a series of studies of activities aimed at identifying ways in which they could be carried out more efficiently. Studies were carried out by departments under the control of their ministers, but with advice and guidance from Sir Derek Rayner and his supporting unit based in the Cabinet Office. Though the immediate impact was often limited, Rayner scrutinies had a major impact on thinking and culture.

The Financial Management Initiative. Departments were required to review their management and financial systems to ensure

(a) a clear view of their objectives and means to assess, and wherever possible, measures, outputs or performance in relation to these objectives
(b) well-defined responsibility for making the best use of these resources, including a careful scrutiny of output and value for money; and
(c) the information (particularly about costs), the training and the access to expert advice when they needed to exercise their responsibilities effectively (National Audit Office 1986, p. 1).

Progress was sluggish according to a House of Commons Select Committee Report (HC 61, 1986–87). The Treasury was reluctant to release control and the emphasis was on running costs rather than programme expenditure or the policy system (Gray *et al* 1991). Performance measures are frequently little developed, and devolution of financial responsibility did not include much relaxation of staffing and establishment controls.

The Next Step agencies. This initiative derives from the report by the Efficiency Unit on *Improving Management in Government: The Next Steps* (Ibbs report 1989). It proposed that the executive functions of central government should, wherever possible, be transferred to agencies charged with specific tasks. The agencies' main objectives and type of performance targets are defined in Framework Documents designed to achieve government policy as defined by the minister. The agencies were however to be given greater management freedom to meet their performance targets.

A large number of agencies have been established, and a high proportion of the civil service are now employed in them. Agencies range from the very small, such as the Queen Elizabeth II Conference Centre, to the very large, such as the

Social Security Benefits Agency. The framework documents still create limited freedom for agencies. Accounting approaches often allow circumscribed power, and, as with the Financial Management Initiative, there are limitations on purchasing and personnel powers (Pendlebury, Jones, Karbhan 1992). Experience in other countries, notably New Zealand (Wistrich 1992), has shown that there are problems of accountability in agency structures. There is, as yet, little evidence that agencies have had a major impact on the civil service at the policy level, but the potential for change is great.

The health service

The NHS management inquiry. This inquiry was conducted by Sir Roy Griffiths and was designed to strengthen management within the health service. It led to the appointment of general managers with management accountability in place of the previous emphasis on 'consensus management', working on fixed term contracts, and paid on a performance-related basis. The Griffiths report also emphasized the need for a greater focus on patients as consumers.

The national health service reforms. The government's proposals were set out in the White Paper, *Caring for Patients* (Department of Health and Social Security 1989) and implemented through subsequent legislation. The key change was the split between the role of the district health authority as a purchaser of services and the role of hospitals as providers governed by contractual arrangement. In effect an internal market was created. General practitioners can opt to hold budgets and be purchasers of services – as are, of course, local authorities. Hospitals can opt out of control by the district health authorities to be controlled by self-governing trusts. A significant number of hospitals and other health units have now opted for trust status. In effect a variety of purchasers faced a variety of providers, including private hospitals.

Competitive tendering has been used for cleaning, catering and laundry services in the national health service, and, although most contracts have been won internally, the pattern of work and level of employment has changed substantially. Delegation of financial control is implicit in the development of the internal market, but there has also been an explicit experiment with devolved finance, the Resource Management Initiative. The national health service is changing from being an integrated, hierarchical bureaucracy to becoming a dispersed network of organizations interacting on increasingly market-based principles.

Local government

Compulsory competitive tendering. The Local Government Planning and Land Act 1980 and Local Government Act 1988 required local authorities to put out to tender a specified range of services, which can be, and has been, extended by the government. In determining the award of contracts the local authority has to be governed only by commercial considerations with tight restrictions on what is

seen as non-commercial. The introduction of compulsory competitive tendering (CCT) has required authorities to draw up detailed specifications of the service to be contracted for and to separate client and contractor roles within their organization. Compulsory competitive tendering is now proposed to be widely extended through the public sector (The Treasury 1991). In the case of local government there is to be competition for direct services, such as the management of arts facilities, and support functions, such as legal and personnel services. The impact of CCT has been great, with about 20 per cent of contracts lost to the private sector, significant increases in productivity and reductions in staffing, extensive changes in pay and conditions, and internal reorganization of local authorities, and changes in management processes.

The Education Reform Act. The Education Reform Act 1988 introduced a wide range of changes including the national curriculum and assessment tests for pupils at specified ages. The greatest impact on the organization and management of education has been the requirement for the local management of schools, giving governing bodies responsibility for the budgets of schools and for the management of staff. Schools are also given the right, subject to a referendum of parents, to opt out of local authority control and become grant maintained. Though relatively few schools have opted out so far, the number can be expected to increase.

Community care. The legislation on community care (the Children Act 1990 and the National Health Service and Community Care Act 1990) will lead the local authority to become a purchaser of services, based on an assessment of the need for care, from a range of providers, creating a mixed economy of care. The local authority is also required to constitute an inspectorate service on an independent basis within the organization.

Many other areas of local government have been subject to changes based upon the introduction of market mechanisms in the management processes. Housing revenue accounts have been ring-fenced, so that they operate on a quasi-trading basis. Waste disposal has been subject to competition and changed patterns of regulation. Competition has been introduced for housing grants and for urban renewal. The various changes to local government are leading to changes both in the structure of management and in organizational processes.

The changes brought about by the government are not the only changes being brought about in the management of local authority services. In local authorities with their own politics, changes have also been taking place. Some of these, as in Conservative authorities such as Wandsworth, have involved the development of compulsory competitive tendering which has been a model used in legislation, as was the development of devolved budgets in schools in hung Cambridgeshire and Conservative Solihull.

But there have been other changes. A number of Labour-controlled authorities such as York or Lewisham have developed service contracts specifying the standards of services the customer is entitled to expect and providing the means of redress, including financial compensation, following the proposals in the Labour Party's

paper *Quality Street* (Labour Party 1989). Some local authorities have devolved the political control of their services to area or neighbourhood committees – Liberal-controlled Tower Hamlets having gone furthest in this respect.

THE KEY THEMES

Through all of these changes certain key themes can be found, reflecting the transformation of public service management that is sought.

The separation of the purchaser role from the provider role

In all parts of the public service there has been a separation of the role of determining what should be provided from the role of provision of a service. The language varies. The framework document for Next Step agencies constitutes a contract for performance by the agencies, establishing a principal-agent relationship with ministers; the purchaser-provider split in the national health service and in community care, and the client-contractor divide in local authorities, create trading relationships. Both approaches separate service policy-making and specification from delivery and production. The development of devolved management involves a similar separation. It is argued that such changes avoid a confusion of role in which those responsible for determining the service required have, because they are also responsible for provision, become defenders of the interests of providers rather than the public service. Separation of purchaser and provider roles is seen as crucial to the development of markets.

The growth of contractual or semi-contractual arrangements

Traditionally public sector organizations have been structured for direct hierarchical control. The developments described above have required or have encouraged a movement to control through contracts. In the main these are internal contracts, in which managers act as agents for the ultimate client, the public. If responsibility for provision of a service is not to be exercised directly, but through another organization, then the requirements for the service have to be specified and means laid down for ensuring those requirements are met. In effect contracts, or if not formal contracts, semi-contractual arrangements are made. Examples of the latter are framework agreements made for the agencies described above, or the service level agreements made between central departments of a local authority and service departments, which specify the work to be done by the central department and its cost. Similar arrangements are being used to manage relations between social services departments and voluntary and private sector providers.

Accountability for performance

These developments, whether the setting of contracts, the devolution of management responsibilty, or the creation of agencies subject to framework agreements require accountabilty for performance. Thus:

> We are determined to give much clearer roles for the units which become Agencies, clearer roles towards both their departments and their customers,

clearer and more demanding performance targets and accountability for the Agencies, their executives and managers and all their staff – and crucially – a greater sense of corporate identity (Major 1988, p. 5).

Accountability is linked to performance assessment. If managers are to be in greater control over the resources required to achieve targets, then they will be held accountable for their performance. Schools will be held accountable for the achievement of the national curriculum. Contractors will be held accountable for fulfilling their contracts. There is a necessary emphasis on performance assessment and performance indicators.

The White Paper on the Citizen's Charter also lays a more general stress on the publication of standards

> Explicit standards published and prominently displayed at the point of delivery. These standards should invariably include courtesy and helpfulness from staff, accuracy in accordance with statutory entitlements, and a commitment to prompt action which might be expressed in terms of a target response or waiting time (CM 1599, 1991, p. 5).

The Local Government Act (1992) requires the development of performance indicators for local government, overseen by the Audit Commission, which can serve as the basis for league tables of performance. Managers' performance is increasingly likely to be assessed in terms of these standards.

Flexibility of pay and conditions

Traditionally personnel policy in the public services has been based on national agreements governing pay and conditions, often specified in considerable detail. The more the work of the public services is carried out in units which are held accountable for their performance, the more those national agreements are seen as restricting management freedom. The requirement to compete in local markets makes it difficult to operate with nationally based labour costs.

National agreements are attacked as restricting management's ability to use its resources effectively. At the same time performance-related pay and contracts are advocated for managers and staff in agencies and are already being applied to general managers in the national health service and increasingly widely in local government. Sir Robin Butler, the Head of the Home Civil Service, speaking about the new agencies has argued that

> The flexibilities provided in the new pay agreements will be available and more will be developed. Chief Executives will be appointed for a finite term; and their future careers, and to some extent their immediate pay, will be determined by their performance. So the incentives for success and the penalties for failure will be more clearly defined (Butler 1988, pp. 13–14).

National health service trusts, grant maintained schools and local authority contractor side organizations are all adopting locally agreed pay and conditions to some degree.

The separation of the political process from the management process

In local authorities, the national health service, and in central government, political control has been traditionally exercised directly through the hierarchies responsible to committees and to ministers. One theme of the change in the management of public services has been the attempt to separate policy-making and the political process from the management process. Thus in the reorganization of the national health service national control is exercised through two separate bodies in the Policy Board and the Management Board.

> The NHS will continue to be funded by the Government mainly from tax revenues. Ministers must be accountable to Parliament and to the public for the spending of these huge sums of money. Such accountability does not mean that Ministers should be involved in operational decisions. On the contrary, these decisions must be taken locally by operational units with Ministers being responsible for policy and strategy.
> The central management of the NHS must reflect this division of responsi-bilities. The Government proposes that responsibility for strategy will be for an NHS Policy Board chaired by the Secretary of State for Health. Responsibility for all operational matters will be for an NHS Management Executive chaired by a Chief Executive (Department of Health and Social Security 1989, p. 12).

Similar separation is apparent in the creation of agencies and the requirements for local authorities to separate political and management responsibility embodied in the Local Government and Housing Act 1989. Whether in practice the separation is maintained is a matter for investigation. In the dispute on ambulance staff pay, the issue was formally treated as the responsibility of the Management Board, but the involvement of the Secretary of State was inevitable and was reflected in numerous statements. The practice may differ from the intention.

The creation of market or quasi-market

Where provision has been undertaken directly by a public organization, there has normally been one provider, either nationally or in each local area: 'Traditionally the public services have been monolithic organisations with overall management, finance control and budgetary control all held in the centre' (Major 1989, p. 4). One of the effects of the changes has been to replace a single provider with a plurality of possible providers. Competitive tendering has just that effect. In the government's proposals on community care, local authorities are to be encouraged to use many alternative sources of provision. In health and in education the emphasis is placed on the independence of the separate institutions through opting out, or on greater control over their own management by the institutions through devolved control. The 'monolithic' institution of the health service and of the education service is being broken down into its component parts. All these changes open up the possibility of competition or quasi-competition between alternative providers.

Competition arises directly in relation to competitive tendering. There is an emphasis in the changes in education on parental choice, associated with a system of finance that ensures that income varies with the number of pupils. Similar

mechanisms will be at work in the national health service, although the critical choices will be made not by patients, but by doctors or by health authorities. Agencies in central government are, as yet, subject to little competition, but it is likely to grow.

The markets that are being created are not necessarily consumer-led markets. In the health service markets are still predominantly provider-led in that authorities or professionals make choices on behalf of the public. The hospitals as providers have had a substantial impact on the nature of contracts. Even where the consumer has a choice, as in the case of schools, one is not in a pure market situation because there is no question of direct payment, and because of the limitation on the number of places available what are being created are quasi-markets rather than markets. There is limited freedom on the demand side, with very little change as yet on the supply side.

The government has at the same time sought to extend the extent of charging for public services and where charges exist to reduce the extent of subsidization. The principle of 'user pays' is being introduced along with the attempt to create choice. Charging is also being developed within public service organizations by the development of internal markets. The use of charging by the public services changed remarkably little in the 1980s. It is yet to be seen whether markets will be based on pricing and charging in the new public service (Heald 1990).

An emphasis on the public as customer

Many of the changes introduced by the government are brought together in the White Paper on the Citizens Charter which is stated by the Prime Minister to be 'about giving more power to the citizen' (Citizen's Charter 1991), although the emphasis is less on the public as citizens than as customers. The emphasis is upon individual rights to choice and to quality, with little reference to citizens' duties. Accountability is seen as market-based.

The White Paper lays a stress on setting standards, the provision of information, the right to choice, privatization and competition, redress, and inspection and regulation. These are to be the means to achieve 'The Principles of Public Services': 1. Standards, 2. Openness, 3. Information, 4. Choice, 5. Non-discrimination, 6. Accessibility, 7. Redress (Cm. 1599, 1991, p. 5). The public is seen as having acquired rights to services through the payment of taxes rather than community membership. The model of the state's relationship with citizens is one of contract rather than embodying any idea of commitment and responsibility. The state's role is to guarantee rights, rather than provide services. The justifying basis is one of liberal individualism, rather than civic republicanism (Oldfield 1990).

The reconsideration of the regulatory role

While the government has reduced the role of the public sector in direct provision, it has given an increased emphasis to regulation. Each of the major privatizations of public utilities has been accompanied by the creation of a regulatory agency. The Audit Commission has played an extensive regulatory role. The White Paper on the Citizen's Charter lays an emphasis on the role of regulation and inspection

separated from the interests of the providers. Where previously inspection and regulation have been carried out by the same organizations that provided the service, the emphasis is now being placed, for example, in social services on the independence of the inspectorate. The White Paper on the Citizen's Charter stresses the danger that

> Professional inspectorates can easily become part of a closed professional world. The Citizen's Charter will therefore begin to open up inspectorates to the outside world. It will make them much more responsive to public concerns. To this end, we will appoint lay members to more inspectorates to work closely with professional colleagues (CM 1599, 1991, p. 40).

There is a similar development in waste disposal. In the case of education there are proposals to put inspection itself on a market basis.

A change of culture

Many of the changes sought by the government can be seen as attempts to change the cultures of the public services, dominated as they have been by the traditions of administration, hierarchy and professionalism. The government sees itself as challenging trade unions and professions as defenders of the status quo:

> we must make the public services more attractive both to existing staff and to potential recruits. The new freedoms that come from a de-regulated economy have been much analysed by economic commentators. But their most important effect is to re-shape the attitudes and expectations of the work force. They want greater responsibility and greater incentives. They can cope with them. They must have them. The changes we are making in the public services may not always appeal much to the unions and professional bodies. But they should be very attractive to individuals and that attractiveness is important if the public services are to compete in an increasingly active and tight labour market (Major 1989, p. 7).

The model of the private, commercial, market culture is influential. The Audit Commission has described its model for management in local government under the title 'The Competitive Council'. The changes in the management of the health services introduced by the Griffiths report emphasize the patient as customer, and the appointment of the general manager challenges the dominant professional culture. The impact of compulsory competitive tendering on local authorities has been to stimulate a commercial culture. Change in culture is slower than change in mechanisms, but institutional theory would suggest that fundamental changes in the rules will have a strong effect, though not necessarily that predicted.

The agenda for change has been developed, and the underlying legitimation is increasingly clear. The extent to which the result will be clear, substantive change is a matter for empirical investigation in coming years. But there is little doubt that the agenda is more radical than that of any other advanced nation, with the exception of New Zealand. The change in public service management will also serve as a good basis for the testing of institutional theories of politics, with their interweaving of concepts of culture, structure and action. The outcome will not depend solely upon a process of mechanical implementation of the new agenda, but on the way that new and traditional approaches interact.

A CHALLENGE TO ORGANIZATIONAL ASSUMPTION

Assumptions are built into any organization that are so much part of the working of the organization that they are rarely stated, and, because of that, rarely challenged. They are part of the unconscious everyday expectations within which people operate. Into the traditional management and organization of public services were built:

(a) The assumption of self-sufficiency – that where a public organization is responsible for a function, it will normally carry out that function itself, directly employing the staff required to do so. The result has been very large public sector organization.
(b) The assumption of direct control – that control over the activities of a public organization is best exercised through continuous supervision through an organizational hierarchy.
(c) The assumption of uniformity – that where a service is provided it should be provided on a uniform basis within the jurisdiction of the organization.
(d) The assumption of accountability upwards – that the accountability of the public servant to those who receive a service is through the political process.
(e) The assumption of standardized establishment procedures – that staffing policies require the application of standardized practices throughout the service.

These assumptions imply a conception of public service that was essentially state led, and in which citizens participated little, other than through periodic elections. The canons of representative democracy ruled. There was a faith in hierarchy and bureaucratic rationality. The emphasis was upon the collective. Equity, justice and impartiality, rather than liberty, were the leading values. The management of the public service was little conditioned by the private sector. The values of the public domain were seen as totally separate from those of the private. There was an essentially statist, paternalist approach to the provision of public service.

It is not suggested that this approach was universally accepted or that these assumptions were never breached, but that they governed the norms of sound administration from which divergences had to be justified. They were embedded in the culture of the organization. A distinction has to be drawn between those parts of the public sector in which the dominant culture was administrative, such as the civil service, and those in which the dominant culture was professional, such as the health services and much of local government. But these are to be seen as variations on a theme, rather than fundamental differences.

The assumptions set out above and the administrative and professional cultures in which they are embedded are all challenged by the recent changes:

— The assumption of self-sufficiency is challenged by the use of a variety of agencies, by the development of the enabling and regulatory role, and by contracting out.
— The assumption of direct control is challenged by control through specification expressed in contract agreements, by performance targets and by the development of competitive and trading relations.

— The assumption of uniformity is challenged by the growing variety of providers, and by the emphasis on choice.
— The assumption of accountability upwards is challenged by acceptance of accountability to the customer. Regulators and inspectors act as the customer's agent.
— The assumptions of standardized staffing procedures are challenged by an emphasis on motivation and by new pay structures.
— Both the administrative and professional cultures are challenged by the entrepreneurial culture, by the emphasis on performance measures and by the management changes generally.

The challenge to the assumptions shows the extent of the changes being brought about or, in some cases, planned in the management of public services.

THE MAIN EFFECTS OF THE CHANGES

These developments are designed to bring about major improvements in the quality, efficiency and effectiveness of public services. These can be argued to result from:

1. The focus of attention on what is required from a service. When a service is controlled directly it can too easily be assumed that there is understanding of what is required, whereas the reality may be that it has never been clarified or communicated. The experience of competitive tendering in local government has illustrated this (Walsh 1991).
2. An emphasis upon what is achieved and on the quality of performance. By specifying what is required, by the development of contracts, by the regulatory role, and by the development of performance measures, attention is focused upon achievement.
3. The release of management potential through the devolution of finance and management responsibility and through new staffing policies.
4. The breaking down of the barriers that have built enclosed organizations in the public sector, through an emphasis on the customer and the challenge to the professional and administrative cultures.
5. The use of a variety of methods of provision to encourage innovation and experiment.
6. Competitive and trading mechanisms used to stimulate the search for economy, efficiency and effectiveness.

The degree to which there will actually be improvement is a matter for investigation, and there has been, as yet, little systematic study of the results of the new management on the services provided.

Issues to be faced

There are few, if any, absolute values in organizational change. There are arguments for centralization and arguments for decentralization. There are arguments for competitive relationships and for co-operative relationships. The strengths that come from organizational change can easily become weaknesses when carried too far as has been argued for private organizations (Miller 1990). Thus, while it can be

argued that in certain parts of the public sector, the professional culture was over-dominant, that does not mean that the professional role is not important. Or while it can be argued that traditional modes of accountability prevented responsiveness to the customer, that does not mean that public services can be totally responsive to the customer or that political accountability should be disregarded. What has to emerge if the changes are to be successful is a new balance as institutional traditions interact.

The danger is that the balance is not likely to be achieved if management change is based on an uncritical adoption of approaches developed for the private sector. That is to assume that there is a generic approach to management which can be applied in all circumstances. Organizational analysis of management in the private sector has shown that management varies with the technology of the task and that service management has to be distinguished from the management of manufacturing processes.

There are distinctive tasks in the public domain, but there are also distinctive purposes and conditions. It is for this reason that the private sector model is inadequate as a basis for management. A distinctive model is required to guide management in the public domain, for as Stewart and Ranson illustrate, the conditions are different.

Private sector model	Public sector model
Individual choice in the market	Collective choice in the polity
Demand and price	Need for resources
Closure for private action	Openness for public action
The equity of the market	The equity of need
The search for market satisfaction	The search for justice
Customer sovereignty	Citizenship
Competition as the instrument of the market	Collective action as the instrument of the polity
Exit as the stimulus	Voice as the condition

(Stewart and Ranson 1988, p. 15)

This does not mean that particular approaches developed in the private sector cannot be adopted in the public sector. The test must be as to whether these approaches support the distinctive purposes, conditions and tasks of the public sector.

The argument is that activities are placed in the public sector to realize distinctive values, to be subject to distinctive conditions, or to carry out distinctive tasks. In the public domain, to which organizations in the public sector are subject, distinctive purposes are achieved. Collective values are established out of differing interests. These can involve the values of equity and justice and the meaning to be given to community. Citizenship is established through democratic processes, which set the distinctive conditions for management in the public domain and provide the basis of the distinctive tasks both of balancing interests and values, and enforcing collective choice (Ranson and Stewart 1989).

These considerations mean, for example, that the political process should not

be regarded as an obstacle to effective management in the public domain but that management should support and express the legitimate political processes. Nor is it adequate to treat the task of management as meeting the requirements of the customer, when activities are placed in the public sector to meet the requirements of public purpose. Need, rather than demand, may have to be established in the public domain. For many activities in the public domain there is more than one customer whose interests have to be balanced. Effective management of the public sector organizations has to be grounded in the distinctive purposes, conditions and tasks of that domain.

The assumptions that are challenged by the changes may have had a role in maintaining those purposes, achieving those conditions and carrying out those tasks. While they may not have been the only means to those ends, there can be dangers in adopting new approaches without regard to them.

Considered against the distinctive purposes, conditions and tasks of the public domain, a series of issues have to be faced about the management changes being introduced. Those issues arise in so far as the management changes being introduced are built upon a private sector model rather than upon a model designed for the public domain. The issues do not mean the changes can or should be abandoned. What may be required is to achieve a new organizational balance realizing the strengths brought about by the changes while overcoming the problems. But the process of change is not likely to be linear, but circular and often self-contradictory.

One of the dangers of the emerging patterns of public management is that approaches that have value in particular situations are assumed to have universal application. Public organizations carry out a wide range of activities subject to very different conditions. If in the past there were dangers in the universal assumption of direct provision of services in organizations structured by hierarchical control, there may, equally, be danger in the new assumptions that are replacing it, if universally applied.

The limitations of government by contract

It has been argued that there are advantages in the increased use of contracts in the process of government. They require a clear specification of the work to be done and a means of control over that work. What cannot be assumed is that all the work of public bodies can or should be subject to contractual arrangements. Contracts, unless they are to be continually re-negotiated, thereby losing their point, introduce a rigidity into the public services which may be inappropriate where flexibility is required.

The mistake is that identified by Olsen (1987) of assuming models from the private sector that are not necessarily applied in that sector. Williamson (1975) has analysed the circumstances in which contracts are appropriately replaced by hierarchical control. He identifies situations in which uncertainty is high as ones in which contracts are inappropriate and direct control is required. Equally, where transactions vary, the costs involved in contracting may be so great as to render contracting unrealistic. There are also circumstances in which, because of greater access to information, the contractor can exploit the client and therefore direct

control is in the interests of the client. Many of those circumstances apply in the public services. The need is to distinguish the circumstances in which government by contract is appropriate, but not to assume its universal application.

The dangers of separating client and contractor

The separation of client and contractor has the advantage of clarifying their roles and focusing management attention on their roles. It is, however, in danger of being carried to a point which few private sector organizations would consider appropriate. There is the possibility of extensive bureaucracy and organizational complexity since the trading relationship between client and contractor will require new and often elaborate accountability and control systems. The main danger is, however, that public bodies will become, in effect, a series of separate units conducting their relationships with each other through a series of contractual or semi-contractual relations and consequent organizational fragmentation.

Such an organization would have a limited capacity for learning and therefore for adaptability, as information was held within separate units and as activities were governed by the terms of contracts. In the public domain the capacity for organizational learning has a special importance as the process of government involves adaptation to and direction of societal change. There are dangers if the separation of client and contractor within the public organizations limits that capacity for learning. That separation, if made into an organizational dogma to be universally applied, can be carried too far, limiting that learning which is necessary for effective government.

The confines of performance management

The development of performance management assumes that managers can be given clearly understood tasks, performance targets to achieve and be held accountable for the use of resources to achieve those tasks. Richards has argued that this 'is essentially a model sprung from production management, extensively used in mass production processes in Western economies, although now being questioned even there' (Richards 1988, p. 11). The basic problem is that it assumes that the tasks of managers in the public domain can be reduced to the requirements set out in the key targets and that targets can be set in relation to those tasks that enable performance to be assessed. Task definition, it is assumed, can be bounded and measured.

Performance management can confine the manager if it limits the capacity to learn and adapt. There is a value to ambiguity in enabling adaptation. The manager can, in any event, never be isolated from the political process, since actions taken in the public domain can and should be subject to public criticism, to which the political process should respond.

There is also a limit to the extent to which adequate or complete performance measures can ever be found in the public domain. Performance measurement and assessment is at the heart of the political, and is a proper subject of public discourse. 'Opponents involved in political dispute may advance different interpretations of productivity . . . there is no single best measure of performance; rather the measure

adopted serves some interests as opposed to others' (Dalton and Dalton 1988, pp. 33, 34).

The danger is not in setting key tasks and targets, but in the belief that performance in the public domain can be confined in those boundaries. Performance management is an aid to management, but only if it is seen as opening up possibilities, not limiting them.

The inadequate language of consumerism

Consumerism defines the public as consumers of public services. The Citizen's Charter goes further by seeing the citizen as a customer, since its emphasis is upon the individual in receipt of a service, rather than on the citizen as an active participant in government.

The emphasis on the customer of public service has the merit of forcing public organizations to look outward to those who use and receive their services. The danger is that the language of consumerism, with its emphasis on the customer is inadequate to encompass the complexities of public action. Thus there are limits to the extent to which public services can regard those effected by the services as customers whose wishes are to be met. Public organizations have the distinctive task of exercising the coercive powers of the state. They order, inspect and control. It is not necessarily helpful to treat as customers those required to take action by a public organization.

Public bodies providing free services may well have to ration services, determining who will receive them and who will not receive them. In other instances public bodies have to decide between competing interests as when local residents object to a home for the mentally handicapped being sited in their area. Again it is not necessarily helpful to regard as customers those whose wishes are not met.

In the public domain, public purposes have to be realized, which may not conform to the wishes of individual members of the public. Public purpose can set limits to responsiveness to the customer. The language of consumerism has a contribution to make to the public domain, but a more complex language has to be developed which also recognizes coercion, arbitration, rationing and public purpose.

The limits of contractual accountability

In traditional public administration, public accountability rested upon clear lines of accountability through the hierarchies of organization, to governing boards, ministers or councillors who were accountable directly or indirectly to the electorate. In addition there were certain norms of public accountability enforcing proper procedures or what in an American context would be regarded as due process.

Recent changes break, to an extent, the clear line of accountability. It is true that a firm to which a service is contracted out is contractually accountable, but that sets limits to the accountability. Saloman has argued that similar developments in America

continually place federal officials in the uncomfortable position of being responsible for the programmes they do not really control . . Instead of a hierarchical relationship between the federal government and its agents, therefore, what exists in practice is a far more complex bargaining relationship in which the federal government has the weaker hand (Saloman 1981, p. 260).

It has been argued in America that recent court decisions show that contracting out services removes those responsible for directly providing the service from important constitutional and legal constraints 'To political leaders or public administrators who view constitutional due process requirements as onerous limits on the efficiency of government agencies, the possibility of escaping such restraints can only add luster to the possibilities of privatisation' (Sullivan 1987, p. 465).

While due process provisions are not so clear in this country, the contracting out of activities could remove activities from some of the norms of public accountability. Access to information and open government which are required from local authorities do not apply in the same way to contractors. The nature of the audit process may be changed. The extent to which ministers can and will answer questions on the activity of hived-off agencies remains to be resolved. The danger is that the development of contractual accountability will restrict political accountability, which remains the basis for action in the public domain.

The limitations of quasi-markets

Underlying many of the changes introduced by the government are market approaches. The development of the internal market in the health services, the extension of parental choice in education and the requirements of compulsory competitive tendering are all examples. However, what is being introduced are not the markets on which market theory is built, but quasi-markets. The internal market introduced in the health services is not a consumer market, but a market in which doctors, health authorities or in some cases , local authorities act on behalf of the consumer. It is a producer rather than a consumer market. Equally, parental choice, far from operating in a free market, operates in a market where supply is necessarily restricted and where choice is limited by, for example, the requirements of the national curriculum.

The nature of the markets introduced by these changes varies greatly depending on the number and nature of the purchasers and of the providers and of the relationship between them. Common, Flynn and Mellon have concluded from a study of competitive structures in the public sector

It is clear from our analysis of the organisations we have studied that they range across the competitive spectrum. At one end there is no competition at all, rather an arm's length relationship between a purchaser and a provider. At the most competitive end, while politics still has influence (in the form of Government ownership, enabling legislation and so on), an organisation may face both public and private sector competitors and supply its products and services to a range of organisations. So it is apparent already that introducing 'markets' to former public sector monopolies has a wide range of meanings (Common, Flynn and Mellon 1992, p. 33).

Dependent on the meanings will be how the market will actually operate in practice. It cannot be assumed that the market will operate as if there was perfect competition. One is dealing with structured markets or quasi-markets which will effect behaviour, but not necessarily as in such a situation. The structured markets have to be seen as policy instruments whose effect has to be understood and which may well require modification in the light of experience. They reflect not the conditions of perfect competition, but public purpose, and should be judged by appropriate criteria.

Thus Mayston has argued that 'Internal markets and management information systems in the NHS need to be seen not as magic solutions to the NHS's numerous problems but rather as potentially useful tools that need careful application and adaptation if they are to pass the underlying cost-benefit test' (Mayston 1992, p. 52). The use of market mechanisms should be seen as a policy instrument, whose design, monitoring and control remains a responsibility for the management of the public sector. It cannot be assumed that a quasi-market is guided by an invisible hand to an optimum solution. The outcome is influenced by the design of the market's structure. Thus the use of market mechanism does not remove the need for control, but rather requires the development of system management concerned with the behaviour of the new market structures.

The danger of undermining values of the public domain

There has been, as we have seen, an emphasis on a commercial culture with a resulting search for an entrepreneurial approach. There are dangers if that emphasis leads to a neglect of the values of the public domain.

Sir Robin Butler, the Head of the Home Civil Service, in a speech to the Institute of Pesonnel Management welcomed the development of the Next Steps agencies, but stressed the need for them to retain the traditional strengths of the civil service 'equity, accountability, impartiality and a wide review of public interest'. He argued that 'The unity of the Civil Service offers stability and a continuing corpus of tradition, knowledge and experience, which is part of the infrastructure of a democratic society (Butler 1988).

William Waldegrave, when Secretary of State for Health, highlighted the danger of the emerging language of management in the health service, which can ignore the values that are the strength of that service

> Our 'customers' do not come because the price of beans is less or because of the pretty girl in the advertisement; they come because they are ill, not seldom frightened, and they want help and expect care...

> Without remitting for one moment the pressure to get a better management system, borrowing what is useful from business, let us watch our language a bit.

> It just bears saying straight out: the NHS is not a business; it is a public service and a great one (Waldegrave 1991, p. 12).

In adopting a private sector language there is a danger that organizations in the public domain will neglect the values inherent in that domain: – the values of a public service.

CONCLUSION

The management of public services has to be grounded in the purposes, conditions and tasks of the public domain, lest it undermines the basis on which those services are provided. This article has set out the main trends in the management of public services. It has shown the extent of the challenge to the organizational assumptions that have governed the previous management of public services. It has recognized the strength of those changes, but also the danger if the distinctive purposes, conditions and tasks of the public domain are ignored. It has shown that there are limitations to most of the approaches being adopted when examined from that perspective. Although these approaches have a contribution to make to public management, they do not by themselves constitute an adequate basis for that management.

The mistake is to assume that there is one approach to management applicable to public services based on an over-simplified model of the private sector. The language of consumerism, the development of government by contract and of contractual accountability, the form of performance management, the use of quasi-markets and a stress on private sector values create problems if the limits to their application in the public domain is not recognized. This does not mean that these approaches do not have value in the public sector, but they do not by themselves constitute an adequate approach to the management of public services. They have to be balanced by approaches which recognize the values of the public domain.

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THE LOGISTICS OF MINISTERIAL RESHUFFLES

R. K. ALDERMAN AND NEIL CARTER

Ministerial reshuffles are complex exercises requiring careful handling. A frequent occurrence in British government, their significance is usually seen in political terms. Prime Ministers attach great importance to maximizing the political advantages to be gained from them. This factor is the chief determinant of their logistics, the principal characteristics of which are secrecy in advance and the speed with which ministerial changes are executed. These features – as much as the frequency of ministerial changes *per se* – may disrupt the policy process and have serious implications for minister-civil servant power relations. Such problems could be alleviated by giving ministers advance notice of changes of post. The institution of a process of ministerial handovers would strengthen the position of incoming ministers by making them less dependent on their officials, upon whom they rely heavily for initial briefing at present.

Periodic ministerial reshuffles are a feature of British government (Mrs Thatcher made changes in her Cabinet on 21 separate occasions during her eleven and a half years as Prime Minister). They are prompted by a variety of considerations, both strategic and tactical. The chief motivation for some is an alteration in the political balance of the government to facilitate a change in policy. For others the principal purpose seems to be to enhance the government's public image. Sometimes they have more to do with party management or satisfying demands for preferment.

This article is one of a series examining a range of aspects of reshuffles. Earlier work has analysed: the political constraints on prime ministers' freedom of action and the pressures that may compel them to bargain with ministers over the allocation of portfolios (Alderman 1976); the dismissal of ministers (Alderman and Cross 1985); and 'Cabinet rejuvenation' (Alderman and Cross 1986). The associated issues of the length of ministerial tenure and the timing and scale of reshuffles have been examined (Alderman and Cross 1981, 1987). Finally, some of the ways in which reshuffles affect the civil service have been explored (Alderman and Cross 1979). The focus of the present article is a hitherto neglected facet: the planning and execution of reshuffles.

The days on which reshuffles occur are occasions of feverish activity both at 10 Downing Street and between it and the Palace and government departments.

R. K. Alderman is Senior Lecturer in Politics and Neil Carter is a Lecturer in Politics at the University of York.

Anything more than the most limited reshuffle involves an intricate logistical exercise. The to-ing and fro-ing in Downing Street (carefully logged by the attendant media) are merely the outward sign of a complex, multi-stage operation behind the scenes. The events of reshuffle day itself will have been preceded by considerable and often lengthy preparation. They will give rise to a good deal of consequential action. This article examines the various stages in the process: planning and preparation; execution; and the immediate impact on departments and Parliament.

Although apparently mundane, the logistics of the exercise are important for several reasons. Reshuffles offer prime ministers the opportunity to exercise one of the most important resources available to them – patronage. But they are manoeuvres requiring careful management: a mishandled reshuffle can be politically damaging. The risk of mishap is probably most acute when dismissals are involved. Here Harold Macmillan's July 1962 reshuffle is the classic case, for the manner in which it was conducted rather than the dismissal of so many ministers damaged Macmillan. But not merely dismissals require careful management. Margaret Thatcher's handling of the July 1989 reshuffle was seen as especially maladroit, 'diminishing her own standing and the authority of the entire government' (*The Independent* 27 July 1989). It greatly reduced the public impact of the ministerial changes, exposed the Prime Minister to attack from the Opposition, and fuelled disquiet on the government benches, thus helping to provoke the first challenge to her leadership in November 1989.

Reshuffles have a significance for minister–civil servant relationships. There is concern, in particular, that their frequency and the consequent relative brevity of ministers' tenure of their posts weakens them *vis-à-vis* civil servants. Insofar as this is a problem, it is (we shall seek to show) one upon which the logistics of reshuffles, including the importance of the part played by officials in the reshuffle process, have a considerable bearing.

PREPARATION AND PLANNING

Ministerial reshuffles are often, in the words of a former Cabinet Secretary, 'a long time in the brewing'. A reshuffle provoked by an unexpected resignation will involve the whole process being foreshortened. But Prime Ministers are normally likely to mull over possible changes for a considerable time – sometimes even months – before a reshuffle actually occurs.

Consultation and secrecy

Prime Ministers vary in the extent to which they discuss their general plans for reshuffles with ministerial colleagues. Whereas James Callaghan apparently preferred to keep his cards close to his chest, the diaries of Richard Crossman and Barbara Castle are replete with examples of Harold Wilson sounding out opinion on proposed changes. Yet even individual prime ministers may not be consistent – welcoming such discussion on some occasions while resisting it on others. As Wilson, whose own pattern varied considerably, has commented, 'The need for widespread consultations varies inversely with the degree of unity the prime minister can count on' (Wilson 1976, p. 29).

Opinions may be sought about specific appointments. It appears not uncommon for the Foreign Secretary to be consulted about a new Secretary of State for Defence, or the Chancellor of the Exchequer to be asked about ministers to head the principal economic departments. But the sounding of colleagues' opinions about a reshuffle as a whole seems generally to be restricted to certain ministers, especially the Chief Whip and the Leader of the House. The former is likely to have considerable influence upon junior ministerial appointments. It appears to be normal for Conservative Prime Ministers also to consult the Party Chairman and, perhaps, the Deputy Prime Minister (Thatcher regularly consulted William Whitelaw but not, apparently, Sir Geoffrey Howe). The number of those involved does not usually exceed two or three. But even those who are regularly consulted may not be taken fully into the Prime Minister's confidence. Wilson more than once failed to discuss all the details of a reshuffle even with the Chief Whip (Short 1989, p. 244; Crossman 1976, pp. 195, 452, 463). The evidence suggests that Wilson's recommended pattern of listening to advice but then keeping one's own counsel and making one's own decision, is common.

Prime Ministers have numerous reasons for preferring to keep ministerial colleagues ignorant of reshuffle plans. They are reluctant, on principle, to share the prerogative of making ministerial appointments. There are also practical grounds. It is important for a Prime Minister not to be diverted. As Wilson has put it: 'There has to be a central strategy in Cabinet formation which must reflect the Prime Minister's broader political and policy strategy . . . a problem created by an overreliance on advice is that some may be based on a different strategy or approach' (Wilson 1976, pp. 29–30).

Prime Ministers are also likely to be subjected to conflicting advice and pressures. It is, moreover, in Macmillan's words, 'difficult to discuss the merits and demerits of one colleague with another' (1971, p. 191). Such factors may well lead Prime Ministers to consult instead the Cabinet Secretary, senior members of their Private Office or political advisers (although they may be no more inclined to accept the advice they proffer·than that of ministerial colleagues (Donoughue 1987, pp. 168–9).

The risk of premature disclosure constitutes a further reason for prime ministerial circumspection. The more ministers who are made privy to the Prime Minister's thinking, the greater the likelihood of one of this notoriously leaky species speaking out of turn. Mrs Thatcher often displayed a tendency to signal her intentions in advance (*The Times* 5 June 1985). But Prime Ministers have strong incentives generally in trying to keep the timing and content of reshuffles a close secret.

Mrs Thatcher incurred considerable criticism for the extent to which her trawling of planned changes exposed ministers about to be dropped to public humiliation (*The Observer* 31 August 1986; *The Independent* 22 July 1989). Leaks which have the effect of demeaning the status of ministers in this way damage the government generally. They can also vitiate the desired political impact of even the most carefully conceived reshuffle, rendering it almost anti-climactic when it takes place. It is not always possible to deflect the attention of political correspondents, who are extremely adept at picking up signs of an impending reshuffle. But it is not infrequently a very important part of the whole exercise, from the Prime Minister's

point of view, to maintain maximum secrecy. Wilson was elated at his success in springing his August 1966 reshuffle on the press (Castle 1984, p. 170). A good deal of the logistics is explicable only in these terms.

One consequence of this pattern is that ministers may discover that a reshuffle is taking place only at the very last moment. Even senior ministers are often ignorant of how a reshuffle, if at all, will affect them until the last possible moment. They may be little wiser than the general public. Norman Tebbit's first intimation that his rumoured transfer to Defence early in 1983 was not to occur came when he was consulted about junior ministerial appointments in his current department (Tebbit 1988, pp. 252–3).

Ministerial resentment at absence of notice may be exacerbated if it transpires that although they may be ignorant of their own fate, their officials are not. In 1966 Crossman was clearly irked that his Permanent Secretary at Housing and Local Government had known of contingency plans to move him to the Department of Economic Affairs several weeks before he heard it from the Prime Minister himself (Crossman 1975, p. 486). Contrary to popular mythology, such cases seem to be the exception rather than the rule. The most likely circumstance in which officials are likely to learn before ministers is when a reshuffle is to be combined with a change in the machinery of government.

Decisions about machinery of government changes are effectively monopolized by what Pollitt (1984) has termed the 'triumvirate' of the Prime Minister and two civil servants – the Head of the Civil Service and the Secretary of the Cabinet (although both posts are now in the same hands). When proposed changes involve a substantial reorganization of structures and responsibilities officials in the affected departments are likely also to be involved ahead of the reshuffle. A team of officials worked for some three months on the major reorganization Wilson carried out in October 1969. Indeed, the reshuffle actually had to be held over until the details of the necessary machinery of government changes could be worked out (Wilson 1971, p. 891). However, when Mrs Thatcher divided the Department of Health and Social Security in July 1988 the Permanent Secretary involved was only informed about it on the reshuffle day itself (private information).

Machinery of government changes are rarely preceded by a detailed consideration of the options. This is partly because they are frequently designed to meet fairly immediate or transient political needs rather than for reasons of technical efficiency or administrative co-ordination (Pollitt 1984, pp. 127–8). But it is also attributable to a desire on the Prime Minister's part to avoid leaks and thus to pre-empt pressure from ministers with personal axes to grind.

Completing the puzzle

The minor reshuffle of January 1990, consequent on the resignation of Norman Fowler, affected four people in three departments. But a major one may leave few parts of a government untouched in some way. In the July 1989 reshuffle 62 persons and 54 posts were involved, leaving only three departments unaffected. For all but the smallest reshuffles, the final planning stage – putting all the proposed changes down on paper – is highly complex. Even a relatively modest reshuffle will involve

some ministers leaving office altogether and some entirely new ones coming in; others will be promoted, moved sideways or even demoted.

The early planning stage may be a relatively leisurely and solitary affair from the Prime Minister's point of view. But working on the final planning stage can be hectic. The deputy Prime Minister, Party Chairman and Chief Whip spent some 12 hours with Mrs Thatcher on this process over the two days before the 1983 post-election reshuffle.

It is clearly a highly complicated exercise. For Wilson it was like a 'Nightmarish jigsaw puzzle with an almost unlimited number of permutations and combinations' (Wilson 1976, p. 34). The procedure is to start with key ministerial movements at Cabinet level, then to move to those lower level ministers who have been particularly noted as meriting promotion, as ready for a move to broaden their experience, as possessing abilities appropriate for a specific department or as unsatisfactory and needing to be dropped. These moves inevitably give rise to a chain reaction of concomitant shufflings and consequential moves; the 'multilateral dispositions' of which Wilson complained to Barbara Castle at the time of his post-referendum reshuffle in 1975 (Castle 1980, p. 414). This may result in a more thoroughgoing or extensive reshuffle than the Prime Minister had originally intended. The higher up the ministerial hierarchy that vacancies are made by ministers leaving office, the greater the number of consequential moves is likely to be – to maintain the 'ladder of promotion'.

But the highest posts are not alone in producing such multiple changes. Macmillan bemoaned that 'Even a change of ministers in less important posts, whether in or outside the Cabinet, always involves a whole series of moves, each of which reacts upon the other' (Macmillan 1972, p. 229). In some senses reshuffling is a more difficult exercise than initially forming a government. When forming a government after having been in opposition the Prime Minister is unconstrained by problems of work in progress in departments.

The final planning stage also involves checking that proposed changes comply with statutory restrictions on the number of governmental posts and that individual ministers have received a security clearance. The House of Commons Disqualification Act sets the maximum number of holders of ministerial offices who may sit in the House of Commons (the rest, therefore, must be in the House of Lords) and, more importantly, the Ministerial Salaries Act specifies the maxima for the number of ministers who can be paid salaries not simply as a whole but at each rank (Brazier 1988). The responsibility for checking compliance with the statutory requirements is that of the Prime Minister's Principal Private Secretary, who plays a pivotal role in ministerial reshuffles. The process is important and the restrictions can be significant. Harold Lever, appointed to the Cabinet in February 1974, was unable to take his ministerial salary because the government had reached its statutory limit. Although the new Ministers of the Crown Act 1974 passed in July eased the situation briefly, the post-election reshuffle in October left John Silkin in a similar, unpaid, position (Pollitt 1984, p. 15).

The report of the Security Commission after the resignations of Lords Lambton and Jellicoe in 1972 noted that it had 'never been thought appropriate to subject

ministers to the positive vetting which is applied to officials' (Security Commission 1973, p. 11). However, the Commission declared itself satisfied 'that effective arrangements exist for drawing to the attention of the Prime Minister of the day any relevant security information which may have reached the Security Service about those whom he is likely to appoint to ministerial office' (p. 11). Precisely how this is achieved is by no means clear. What is clear is that the Prime Minister's PPS, who will be fully familiar with the proposed ministerial dispositions, acts, through the Cabinet Office, as the conduit for information from the Security Services. Such information may have an important bearing on a Prime Minister's reshuffle plans. Wilson submitted lists of those he proposed to appoint so that they could be checked against MI5 files (Leigh 1988, p. 90). During his premiership the careers of at least two ministers – Niall McDermott and Stephen Swingler – were impaired as a result of their being alleged 'security risks'. Swingler was passed over for promotion in the 1968 reshuffle specifically on this account (Castle 1984, p. 422).

EXECUTION

The process of interviewing ministers is set in train as soon as possible after final decisions have been taken about the reallocation of posts. Prime Ministers try to announce the changes quickly, and usually attempt to complete the exercise in a single day.

Speed is seen as avoiding a prolonged period of uncertainty unfair to the ministers involved and probably bad for the general reputation of the government. Further, once some promotions have been made, gaps are inevitably created which cannot be allowed to remain unfilled for too long – especially if the reshuffle occurs during the parliamentary session – because of the need to conduct the business of government. The normal pattern is for ministers to carry on with work in their present posts, even after they have been told that they are to be moved, until the changes are announced. This may involve continuing to perform public and parliamentary duties. There can sometimes be political embarrassment when ministers are left 'in limbo' in this way. The Industry Bill was in Standing Committee when Wilson was forced to delay the announcement of the 1975 post-referendum reshuffle until the day after he had interviewed all the ministers. Tony Benn, angry that he was to be moved from Industry to Energy, did not attend the Committee – nor did his successor, Eric Varley, because the announcement had not been made (Benn 1989, pp. 393–4). A parliamentary row ensued.

Keeping the exercise moving quickly and setting a close deadline for its completion and announcement have certain tactical advantages. The scope for resistance by ministers reluctant to be transferred is minimized. Third parties who might protest at a particular minister being moved are presented with a *fait accompli*. (Occasionally, ministerial resistance may be sufficiently strong to force a Prime Minister to delay the exercise: pressure from anti-EEC ministers delayed completion of the post-referendum reshuffle.)

An additional reason for haste is to complete the reshuffle before leaks occur. Ministers are strongly enjoined to disclose nothing before the official announcement

(Castle 1980, p. 725). But they still talk, especially when they receive unwelcome news: Selwyn Lloyd's willingness to express his feelings greatly exacerbated Macmillan's difficulties in handling the July 1962 reshuffle (Horne 1989, p. 343). The desire to maintain secrecy often extends to attempts to conceal some of the comings and goings of ministers on reshuffle day. The instruction George Thomas received in September 1967 – to enter Number 10 from the rear – is not uncommon (Tonypandy 1985, p. 113). The general preference for secrecy can also be explained partly in terms of good political presentation – the reshuffle's greater impact if announced as a whole rather than dribbling out piecemeal. It has the further advantage of reducing the scope for damaging media speculation when a refusal to move leads parts of the reshuffle to be aborted.

A reshuffle day can be very arduous for a Prime Minister (Macmillan 1973, p. 96). There will normally be a large number of ministers to see. The timetable of interviews with the various ministers will be organized, on the direction of the Prime Minister, by his or her Principal Private Secretary (perhaps in conjunction with the Chief Whip) who is also responsible for running it on the day itself. Not all ministers go to Downing Street to see the Prime Minister. It may depend on the scale of the reshuffle. In a small one all, even the junior ministers, may go. But in a large-scale reshuffle many junior ministers are likely to be contacted by telephone. Even some Cabinet ministers may hear this way: Tebbit's invitation to replace Parkinson at the Department of Trade and Industry, in October 1983, came by telephone (Tebbit 1988, p. 267).

The secrecy shrouding reshuffle planning, even as to timing, means that contacting those involved may prove difficult – although the resourcefulness of the Downing Street switchboard operators is legendary. This problem of contacting ministers is much less trivial than it might appear. Contacting ministers quickly on the day is vital to the effective execution of a reshuffle. Even senior ministers may be summoned at very short notice: the experience of Barbara Castle, who received a mere 30 minutes notice in April 1976 (Castle 1980, p. 723), is by no means unique. Politicians – especially back-benchers when Parliament is not in session – can prove elusive. The announcement of Christopher Chope's appointment in the September 1986 reshuffle had to be held over because he was uncontactable.

Interviews tend to be conducted in a fairly standard order. Norman Fowler and other ministers waiting at Number 10 during the 1987 post-election reshuffle predicted very accurately the posts they would be offered entirely on the basis of the order in which they were to see the Prime Minister (Fowler 1991, pp. 286–8). The norm is to start with the senior posts and work downwards, (partly because junior ministerial appointments require the agreement of the Head of Department who may need to be appointed first). Within these categories, ministers being dropped are seen before their replacements, to protect dismissees from the added indignity of hearing indirectly about those appointments before themselves being informed personally. Prime Ministers also usually prefer to get the unpleasant part of the exercise over first (Wilson 1976, p. 33; Williams 1972, p. 132–3). In addition, with ministers regarded as indispensable, it is important to get the agreement of those who are to be moved lest they refuse, and other moves have to be abandoned.

Interview length may vary greatly: in July 1989 Nicholas Ridley spent an hour with Mrs Thatcher while some other Cabinet ministers had little more than ten minutes (*The Times* 25 July 1989). The schedule may have to be adjusted as the day goes on, particularly if someone proves resistant to change. Unless the Prime Minister is content to let the minister leave the government – as Kenneth Baker did in April 1992, rather than move from the Home to the Welsh Office – persuasion may be necessary. Sometimes more than one meeting may be needed before a reluctant minister can be persuaded to accept a transfer, as when Prior was moved to the Northern Ireland Office (Prior 1986, p. 171–2).

As Macmillan observed, 'If one drops out, whether in the senior or the junior ranks, a whole series of alterations have to be made in the plan' (1971, p. 191). Time will have to be found to rejig and thought given to alternative strategies: should the reluctant mover be allowed to stay put, or be asked to resign? Who could replace him or her? Sometimes such alternative arrangements may undo others already made.

The plethora of matters to be attended to on a reshuffle day not infrequently includes the need to make special arrangements about the timing of changes of post. Such arrangements may be necessary if there is some business in hand which makes it impracticable for a new minister to take over immediately (although senior officials have commented on the scant regard that Prime Ministers tend to pay to this problem). Sometimes simply the announcement of the change is delayed. In October 1983 the announcement of Tebbit's move to the DTI to replace Parkinson was held back until Tebbit had completed a television interview as Employment Secretary (Tebbit 1988, p. 267).

On other occasions the announcement might be made but with certain moves being delayed. In July 1989 the change at Defence from George Younger to Tom King (and therefore, in consequence, at Northern Ireland from King to Brooke) was deferred for three days after the announcement because a visit to Britain by the Soviet Defence Minister made an immediate transfer impracticable (*The Times* 25 July 1989). John MacGregor, the new appointee to Education, also remained at Agriculture for an extra two days to attend an important EC meeting (*The Times* 26 July 1989). By contrast, David Mellor took his responsibility for the Broadcasting Bill with him when he moved from the Home Office to become Minister for the Arts in 1990 (*The Times* 24 July 1990).

Prime Ministers invariably consult ministerial heads of departments about junior appointments to their departmental teams. Some consultation is done in advance, particularly in the case of ministers who are not themselves moving, but by no means all, and there is still much to be done on the day.

Announcements of ministerial changes indicate the 'pecking order' in the new Cabinet. Cabinet precedence is often a cause of rivalry amongst ministers. The media, too, speculates on its significance. It is therefore something which Prime Ministers have to take seriously. It may even be discussed during the reshuffle interviews.

A related matter is the seating around the Cabinet table. Apparently trivial, this has considerable significance. It can have an important bearing on a minister's

ability to participate in Cabinet discussion. The best positions are either directly opposite or next to the Prime Minister (Wilson 1985, pp. 29–30). A minister at the end of the table on the same side as the Prime Minister may find it very difficult to intervene in discussion. Rearrangement of the seating order at reshuffles is therefore consequently something to which Prime Ministers often devote considerable care. Indeed, from their standpoint it is more important than the 'pecking order', since it can be used to marginalize or at least reduce the scope for intervention of ministers whose participation in Cabinet discussion the Prime Minister may wish to minimize (*Daily Telegraph* 23 April 1992). There is a strong suggestion that an attempt was made to marginalize Margaret Thatcher in Edward Heath's Cabinet in this way (Prior 1986, p. 117).

Reshuffles inevitably necessitate changes in the membership of Cabinet committees. Sometimes ministers may be informed of changes after the reshuffle day, perhaps because they have not yet been worked out (Benn 1989, p. 558). But at other times they are discussed in the course of ministerial interviews on reshuffle day itself (Crossman 1975, p. 608). Some ministers raise the issue themselves in the context of a change of post, as did Prior who successfully insisted on membership of the Cabinet 'E' committee as a condition of his transfer to the Northern Ireland Office in 1981 (Prior 1986, p. 172).

Letters to ministers leaving the government constitute yet another of the courtesies of political life that have to be attended to on reshuffle day. At one level they give Prime Ministers an opportunity to put on record their appreciation for departing ministers' services. But, of greater political importance, they can also be used to demonstrate that no ill-will or hint of policy dispute which might mar the reshuffle's public impact, attaches to the minister's departure. Care therefore needs to be taken with their content and every effort is made to have them completed in time to be issued to the press when details of the reshuffle are formally announced lest their absence excite media comment.

Sometimes, the contents of the minister's resignation letter may be discussed during the interview (Castle 1980, p. 725). Alternatively, or additionally, its precise terms may be discussed later between the departing minister and the Prime Minister's Private Office (Marsh 1978, p. 144).

It is common for ministers leaving office, especially Conservative ministers, to receive some honour. The Prime Minister may wish to transfer a minister to the Lords from the Commons as part of a reshuffle, as Mrs Thatcher moved Whitelaw in 1983. Mention of such honours and ennoblements will also be included in the reshuffle announcement. The conferral of honours requires prior permission to be obtained from the Queen and, for a ministerial transfer to the Lords, the necessary formalities to be set in train very quickly especially if, like Whitelaw, the minister has immediately to play an active part in the House (Whitelaw 1989, pp. 239–40).

Royal approval is required for all ministerial appointments and transfers. There is no question of its being withheld, but protocol is strictly adhered to. The monarch is usually given a broad outline of the ministerial changes the Prime Minister has in mind in advance of the reshuffle. On reshuffle day itself arrangements have

to be made for lines of communication with the Queen, so that after the new appointments have been settled a formal minute incorporating them can be submitted for royal approval. With an extensive reshuffle several batches of appointments may be sent during the day. Great pains are taken to ensure that no announcement is made until royal approval has been obtained. The announcement of the reshuffle occasioned by Crosland's death in February 1977 was delayed by difficulty in contacting the Queen who was on the royal yacht en route to New Zealand (*Daily Telegraph* 22 February 1977).

Public presentation is an important aspect of reshuffles. They are often largely designed to improve the government's image and their logistics reflect the Prime Minister's anxiety to get good media coverage. Such considerations may well influence reshuffle timing and, on the day itself, arrangements are likely to be geared to meet news deadlines – usually in the early evening (Macmillan 1973, p. 96).

Presentation is much more than the mere publication of a list of changes. They have to be made to look purposeful lest the media portray the reshuffle as yet another exercise in musical chairs (Evans 1981, pp. 164–8). The official list of ministerial changes is therefore usually accompanied by an explanation of their purpose. There will invariably be detailed briefing for the media by the Prime Minister's Press Secretary. Mrs Thatcher sometimes went further and gave radio and television interviews herself to explain the reasoning behind reshuffles (*The Observer* 11 January 1981).

The appointment of non-Cabinet ministers takes effect from the moment the monarch approves the Prime Minister's list of recommendations. That of Cabinet ministers, however, does so only from their taking the oath of office and receiving their seals. Until then they may neither be paid nor sign official documents. Another necessary accompaniment of any Cabinet reshuffle is, therefore, a Privy Council meeting where this ceremony takes place. This process is all very much a formality, usually a brief affair at Buckingham Palace. However, if the Queen is not in residence at the Palace then ministers may have to go to Sandringham or Balmoral. Not all ministers regard this exercise as the most productive way in which to spend their first day in office (Crosland 1982, p. 208).

THE DEPARTMENTS

Departments learn about the outcome of reshuffles in a number of ways. There is no set procedure for informing them that their ministerial head is to be moved. If the summons to No. 10 comes through the minister's private office this information will be conveyed to the Permanent Secretary. There may occasionally be informal advance tip-offs from the ministers concerned or the Cabinet Secretary. Notification of a junior minister's departure, like that of the minister, often comes from his or her private office. However, if the head of department is not moving and has had discussions with the Prime Minister beforehand, he or she is likely to inform the Permanent Secretary. For appointments the normal procedure is for the Prime Minister's Principal Private Secretary to notify the Permanent Secretary about the new head of department as soon as the interview with the Prime Minister is completed. A similar process occurs with junior ministerial appointments.

Much has to be done rapidly in a department when its ministerial head changes, both formally and informally and at several levels. Soundings will be taken to find out something about the personality, style and preferences of the incoming minister. Permanent Secretaries often contact their counterparts in their new minister's former department. At private office level Private Secretaries meet for 'diary exchanges' of the minister's commitments and a less official exchange of information about the minister (Crosland 1982, p. 322).

There is, perhaps surprisingly, no formal process by which ministers 'hand over' to their successors. James Prior had a long talk with, and gave a 4,500 word document to, his successor at the Northern Ireland Office in 1984. But a briefing of this sort is very much the exception. There is often not even the most cursory exchange.

Incoming ministers are briefed by their officials. Such briefing will be both written and oral and, with a department covering a highly complex field, may stretch over several weeks. John Major barely had time to master his brief between his arrival at the FCO in July 1989 and his transfer to the Treasury as Chancellor at the end of October. The briefing process is likely to commence within hours of appointment, sometimes even starting at ministerial homes (Crosland 1982, p. 208; Tebbit 1988, p. 267). With a reshuffle occurring immediately after a general election, briefing papers will have been prepared in detail during the election campaign. For reshuffles occurring at other times, briefs have to be specially prepared. Permanent Secretaries who hear apparently well-founded rumours of a change at the head of their department often take at least preliminary steps in preparing briefs, as a precaution. A surprise reshuffle requires a rapid response.

Reshuffles during the parliamentary session pose particular problems, especially if the department has legislation in hand. Chris Patten, on becoming Environment Secretary in July 1989, had to be briefed to introduce a major environment debate two days later and for his first Question Time the day after that. Post-reshuffle briefings for ministers new to office will include drawing attention to the Prime Minister's Minute on Procedure (Hennessy 1986, p. 7) and a briefing by the security service.

When an unexpected change in the machinery of government accompanies a reshuffle, officials have the additional burden of devising the necessary arrangements quickly. Departmental officials heard of Callaghan's decision to split the Department of Transport from Environment in 1976 only on the reshuffle day itself (a Friday). The task was largely completed over the weekend (*Financial Times* 19 September 1976), alongside preparation for inducting and briefing the incoming Transport Secretary. Not all machinery-of-government changes can be handled so expeditiously by officials alone. Others like that involving the new DHSS in 1969, may be much more prolonged and involve negotiations and the resolution of disputes between ministers (Crossman 1976, pp. 766–77). Sometimes machinery-of-government changes are staged. When Robert Atkins was switched from the DoE to Education he took with him responsibility for sport, but although he took up the post at once, the rest of the department took a fortnight to follow (*The Times* 1 December 1990).

Even reshuffles not involving machinery-of-government changes necessitate reallocation of ministerial responsibilities within departments. This reallocation is one of the first things to be attended to. The decision is that of the ministerial head of department, but a newcomer is likely to consult closely with the Permanent Secretary. This may be a relatively minor matter when only a single junior minister in a department is involved – the newcomer simply assuming his or her predecessor's responsibilities. (However, even then, secretaries of state often take the opportunity to move responsibilities around the existing junior ministers as well – according to their aptitudes and interests and the political needs of the moment – as did Humphrey Atkins at the Northern Ireland Office in January 1981 (*The Guardian* 8 January 1981). But when numerous changes are involved – the 1987 post-election reshuffle brought five new ministers to the DoE, for instance – reallocation is likely to be substantial. The reallocation of responsibilities may be expected to be greatest when a reshuffle involves the arrival of a new secretary of state. One with interests and priorities significantly different from those of his or her predecessor may well institute a fundamental reallocation of responsibilities.

PARLIAMENT

Reshuffles often involve action in the parliamentary arena. When backbenchers who are members of Standing or Select Committees are brought into the government, they will need to be replaced. A reshuffle involving ministers in a department which has legislation in progress in Standing Committee will call for particularly prompt action. Here, as in other areas, things can easily go awry if co-ordination between the various parts of the governmental machine is poor. As has been seen, the announcement of the ministerial changes involved in the 1975 post-referendum reshuffle had unexpectedly to be put back by a day. As a result the Committee of Selection (at the behest of the government whips – who had been given details of the changes but were apparently unaware of the delay) replaced the under-secretary at the Department of Industry by his successor on the Standing Committee examining the Industry Bill before these changes had been announced.

Machinery-of-government changes may require the formal transfer of functions, by means of a Transfer of Functions Order. These Orders are less common than in the past because departments are, generally, headed by secretaries of state as opposed to ministers, and many powers are vested in the secretary of state at large, so that transfers can be carried out by administrative action. However, an order is necessary when a function is vested in a named secretary of state. The process is initiated by the department transferring the function, in conjunction with the receiving department and under the supervision of the Management and Personnel Office (or the Machinery of Government division, pre-1981). The order is made at a meeting of the Privy Council and then laid before Parliament. Depending on the type of transfer of function order, it may be subject either to negative or affirmative resolution procedure by Parliament. In practice, Parliament's role in the process is very limited and debate is either non-existent or very brief (Pollitt 1984, p. 14); but it is a necessary stage.

Parliamentary action usually occurs as a consequence of a reshuffle; but it can,

albeit rarely, sometimes be a pre-condition for one. Wilson was able to carry out his July 1974 reshuffle which brought Robert Mellish, the Chief Whip, into his Cabinet only after the Ministers of the Crown Act 1974 (which increased the statutory maximum of salaried cabinet ministers) had been passed.

CONCLUSION

The significance that Cabinet composition and the precise allocation of portfolios have for policy outcomes makes decisions about ministerial disposition at reshuffles central to the policy making aspect of core executive activity. Prime Ministers, who virtually monopolize decisions about reshuffles, attach great importance to maximizing the political advantages to be derived from them. This pre-eminent factor shapes their logistics. The limited prior consultation, the secrecy surrounding the planning stage and the speed with which changes are executed both exemplify and reinforce the power of Prime Ministers over ministerial colleagues. Secrecy is further designed to enhance the government's party political advantage by increasing the eventual publicity impact.

Political astuteness on the Prime Minister's part is a necessary but not a sufficient condition for a successful reshuffle. A high degree of synchronization between numerous other actors is required. Execution calls upon administrative as well as political dexterity. The process is heavily dependent upon a range of participants behind the scenes, many of whom are officials.

This style of reshuffle has significant costs. It places a high premium upon the exercise going smoothly. But hiccups occur. Usually, they merely give rise to relatively minor political embarrassment. Ministers have to cancel engagements at short notice. Frederick Corfield's precipitate return from an official visit overseas to be dismissed in April 1972 (*The Times* 8 April 1972) is not unique. Nor is the experience of the two ministers in September 1967 who were warned to be on standby for a call from Number 10 which never came because of a reshuffle-day upset to the Prime Minister's plans (Tonypandy 1985, pp. 113–4).

Sometimes the consequences are more serious. Absence of notice designed to avert opposition to a move by a reluctant minister may have deleterious effects on ministerial solidarity. Howe's unwilling transfer from the FCO to the Leadership of the House in July 1989 was an extreme example. Ministers are often in the midst of important business when moved. The case of Francis Maude, then Foreign Office minister responsible for China, who was appointed Financial Secretary to the Treasury on the eve of an important visit to that country (*Daily Telegraph* 25 July 1990), was a public instance of a by no means uncommon phenomenon.

Such problems arise from the near fetish of secrecy before reshuffles. It causes disruption. Clearly, giving some advance notice to ministers about to be involved in a reshuffle would facilitate the planning of business to minimize such disruption.

There are implications, too, for minister-civil servant power relations. Much is made, by critics of the brevity of ministerial tenure, of the argument that new ministers, unfamiliar with their departments, are liable to be 'managed' by their officials, at least at the beginning of their terms. However, insofar as this weakness of ministers is a problem, it arises as much from the logistics of reshuffles as from

the ministerial changes themselves (from which there are often considerable advantages). At the very least the logistics exacerbate the problem. The combination of advance secrecy and changes taking immediate effect gives ministers no time to reorientate themselves and to think about their new posts before they are in them and having to take decisions. This absence of opportunity for ministers to prepare may be inevitable when there is an unanticipated vacancy because of a resignation but it is surely not indispensable in normal circumstances. Moreover, the heavy dependence of incoming ministers upon officials for induction into new posts could be reduced by institutionalizing ministerial handovers. The prime reason for the absence of such handovers at present is the pressure upon ministers to get to grips with their new posts imposed by the practice of transfers taking immediate effect. Advance notice of moves would allow time for a ministerial handover. It would alleviate another problem arising from ministerial changes: the 'accident-proneness' of ministers in new posts. (Officials, too, might welcome the reduction of load that ministerial changes place on them at present.)

The existing reshuffle process conflates three aspects which are distinct for the ministers concerned: being informed that they are to leave their current post; being told of their new post; and taking up that post. Many of the very real problems to which the present practice gives rise could be greatly reduced if these stages were to be separated.

Such a change would not be problem-free. Prime Ministers could be expected much more frequently to come under the sort of concerted resistance to their plans to move ministers that Wilson experienced during his post-referendum reshuffle (Castle 1984, pp. 409–17). On the other hand it would largely obviate the not uncommon problem for them at present of having to make hasty readjustments on reshuffle day itself. A major factor necessitating them is that Prime Ministers often have no idea, until the interviews, whether some ministers will accede to projected transfers. (Evidence suggests that unwillingness arises predominantly from ministers' reluctance to leave their present posts rather than from aversion to the proposed new ones.)

There is also the question of the intervals between the various stages. Having ministers in post who were known to be about to move would inevitably generate uncertainty. If the period were too long it would risk impairing the progress of government business by delaying initiatives that might be substantially changed or even reversed by a successor. It would weaken the position of ministers. In late 1989 Peter Walker, having decided to leave Parliament at the next election, rejected Mrs Thatcher's invitation to remain as Secretary of State for Wales until then because 'Once I had announced I was going, I should not have the same weight in Cabinet and I should not want to go o.' (Walker 1991, pp. 221–4). In the event the news leaked in March 1990. However, when it did the Prime Minister took the unusual step of announcing that Walker would be succeeded by David Hunt, although the latter did not take up the post until early May. As a result Hunt was able to receive a very full briefing from Walker before he took over (private information).

An interval of this sort, though feasible for a reshuffle involving very few

ministers and one of the less important Cabinet posts, would be an undesirably long period in other circumstances. On the other hand, the two to three day deferrals for some posts in 1989 were too short for the purposes we propose – though they, too, demonstrate that the principle of transfers taking immediate effect need not be sacrosanct. An appropriate interval between the announcement of ministerial changes and their taking effect would seem to be some seven to ten days. Such a period would enable ministers to adjust their mental horizons to new posts. It would make possible a full ministerial handover in addition to the briefing by officials. (Part of the purpose of the ministerial handover would be to enable the ministers to discuss the official brief.) But an interval of this length would not give rise to a significant 'lame duck' effect or seriously hold up decisions. Decisions which it was vital to take speedily could be resolved by close liaison between the outgoing and incoming ministers, so that the incomer could have an input before formally taking over. The institution of procedures of this sort might be more complicated when Parliament is sitting but the difficulties would not be insuperable.

The effect of such a change could not but strengthen the position of ministers at what many have portrayed as their most vulnerable (and stressful) moment: moving into a new department.

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ONE AND MANY - THE OFFICE OF SECRETARY OF STATE

A. J. C. SIMCOCK

> 'Neither confounding the Persons: nor dividing the Substance'
> – *The Creed of St Athanasius, The Book of Common Prayer*

This article seeks to explain the nature of the office of Secretary of State in the United Kingdom, and how these arrangements have come about. It traces the office from its mediaeval origins, and finds the explanation partly in the development of Tudor government, and partly in the politics of the eighteenth century. It then traces the modern development of this doctrine and some of the ramifications to which it has given rise. Fourteen out of the twenty-two members of the British Cabinet hold the same office. Yet simultaneously they are described by fourteen different titles. The office that they share is that of 'Secretary of State': their various titles are the 'Secretary of State for Foreign and Commonwealth Affairs', the 'Secretary of State for the Home Department' and so on. The purpose of this article is to explain these curious arrangements, which rival in complexity the Athanasian doctrine of the Trinity, and to show how they have come about.

THE DOCTRINE

The doctrine that all the Secretaries of State hold a single office stems from the nature of the office. As will be seen, the office has its origin in the function of looking after the monarch's signet. Like the offices of the other custodians of seals such as the Lord High Chancellor or the Chancellor of the Duchy of Lancaster, the office is conferred by the delivery of the seals. Each Secretary of State receives an identical set of three seals. These are: the *signet*, in the strict sense of the word, used only in the Foreign and Commonwealth office, for example warrants to apply the Great Seal to full powers and ratifications; the *second secretarial seal*, used mainly by the Home Office and the Scottish Office to seal commissions and warrants under the sign manual and the *cachet*, used to seal the envelopes of letters to other sovereigns (Anson 1935, vol. ii(i), p. 182). The identity of the seals they receive is thus the physical expression of the existence of a single office.

This identity is shown by the way in which in 1926 Leo Amery received the additional new office of Secretary of State for Dominion Affairs: he needed to

A. J. C. Simcock is an Assistant Secretary in the Department of the Environment. This article was a commended essay in the RIPA's 1991 Haldane Essay Competition.

be sworn in a hurry to meet a statutory deadline; there was not time to have a new set of seals cut; he therefore sent back to Buckingham Palace the seals which he already held as Colonial Secretary, and shortly afterwards went to the Palace and received them back for his new office (Amery 1953, vol. II, p. 335).

The most obvious consequence of the doctrine is to be found in the standard drafting technique of British legislation. With only the rarest of exceptions, all British legislation, whether primary (in Acts of Parliament) or secondary (in Orders in Council, regulations, orders and other statutory instruments), confers functions on 'the Secretary of State', without further specification. A couple of examples out of thousands must suffice:

> The Secretary of State may by order repeal this Part of this Act (Transport Act 1985 (ch. 67), s.46(1)).

> Subject to the provisions of this Chapter, . . .it shall be the duty of the Secretary of State to maintain any school conducted by a governing body incorporated under this Chapter for the purpose of conducting the school (Education Reform Act 1988 (ch. 40), s.52(1)).

A function conferred in this way can be exercised by any Secretary of State, even where the responsibility for it is normally divided between several different Secretaries of State. A recent example of this was given in implementing the Local Government and Housing Act 1989. Section 1 of this Act provides for statutory restrictions on public political activity by senior local government officers. Section 2 defines these senior local government officers by reference, *inter alia*, to a rate of remuneration which 'is or exceeds £19,500 or such higher amount as may be specified in or determined under regulations made by the Secretary of State' (Local Government and Housing Act 1989 (ch. 42), s.2(2)(a)). Two sets of regulations have been made to specify the salary levels, each applying (though with certain variations) throughout England, Scotland and Wales. The first set were made by a single Secretary of State. The enacting formula said simply

> The Secretary of State, in exercise of the powers conferred on him by sections 2(2)(a) and 190(1) of the Local Government and Housing Act 1989, and of all other powers enabling him in that behalf, hereby makes the following Regulations. . . .(The Local Government (Politically Restricted Posts) Regulations 1990 (SI 1990/42)).

and the single signatory (Christopher Patten) was described as 'One of Her Majesty's Principal Secretaries of State'. When the second set (revoking and replacing the first by providing a more permanent way of defining the salary level) was made, three Secretaries of State joined in. The enacting formula ran

> The Secretary of State for the Environment, as respects England, the Secretary of State for Scotland, as respects Scotland, and the Secretary of State for Wales, as respects Wales, in exercise of the powers conferred on them by sections 2(2)(a) and 190(1) of the Local Government and Housing Act 1989, and of all other powers enabling them in that behalf, hereby make the following Regulations. . .(The Local Government (Politically Restricted Posts) (No. 2) Regulations (SI 1990/1447)).

and each of the three signatories (Christopher Patten, Malcolm Rifkind and David Hunt) was described by his separate title.

Equally, while the legislation governing ministerial salaries (The Ministerial and other Salaries Act 1975 (ch. 27)) specifies separately offices such as Chancellor of the Exchequer and Minister of Agriculture, Fisheries and Food as posts for which a salary may be paid, it lumps all fourteen Secretaries of State under the single heading of 'Secretaries of State'.

This technique of drafting is underpinned by a provision in the Interpretation Act 1978 ((ch. 30), sch.1), which provides that a reference to the 'Secretary of State' is a reference to 'one of Her Majesty's Principal Secretaries of State for the time being'. To understand the reason for adopting this approach, it is therefore necessary to look at what is to be understood by the term 'one of Her Majesty's Principal Secretaries of State'.

THE HISTORICAL DEVELOPMENT

The emergence of the King's secretary

The mediaeval post of the King's secretary had its origins in the growing formalisation of administration. By the time detailed administrative records of royal correspondence survive – from the reign of John – the Chancellor and the Great Seal that he kept had already 'gone out of court'. That is, they no longer travelled continuously with the King as part of his court.

By about 1200, therefore, the king had added a new, more personal service to deal with his day-to-day correspondence. This service used a separate, smaller seal to authenticate correspondence, usually about one and a half inches in diameter as opposed to the Great Seal's four or five inches (Maxwell-Lyte 1926, pp. 42, 313). This seal was called variously the small, the secret or the private (privy) seal. A keeper of this seal soon appears (PRO, Charter Roll, 16 Hen.III m.7, in Tout 1922 vol. i, pp. 217). The earliest example preserved is of the seal of Edward I. It carried the escutcheon of the Royal Arms within the inscription 'SECRETUM REGIS EDWARDI' (The secret of King Edward) (Maxwell-Lyte 1926, p. 42) – a form of words retained until the time of Henry VIII.

In the thirteenth and early fourteenth century references appear to royal 'secretarii' (secretaries): the earliest seems to be that to John Mansell, Provost of Beverley, in 1253 in documents for the negotiation of a peace with Spain (Rymer 1704, vol. i, p. 490). To start with, these references are clearly simply to those who are confidential councillors of the king: in 1323 Edward II refers to three people as 'secretarios nostros, quibus secretiora negotia nostra committimus' (our secretaries, to whom we commit our more secret affairs). One of these three was the keeper of the privy seal. Between 1299 and 1363, 'secretarius' was commonly used to refer to this officer, towards the end of the period rarely being used for any other. The last Keeper of the Privy Seal for whom it was used as such was William of Wykeham, who gave up the privy seal on becoming chancellor in 1367 (F. M. G. Evans 1923, p. 13, and Maxwell-Lyte 1926, p. 114).

Under Edward II, a further seal appears, smaller than the privy seal, but also

referred to as a secret seal. The earliest records of it are of 1313 (Maxwell-Lyte 1926, p. 102). The date of its appearance suggests strongly that it is connected with the demand of the Ordinance of 1311 (*Rotuli Parliamentorum* vol. i, p. 282) that the baronage should approve the choice of, among others, the keeper of the privy seal: Edward II's response was to institute a new seal, not subject to this control. To begin with, no clear distinction is made between the privy seal and this new seal. By the end of the reign of Edward III, however, this seal is clearly referred to as the signet, and is used in a different, less formal way than the privy seal (Maxwell-Lyte 1926, p. 107).

From the day of his accession, the signet of Richard II was used to authenticate letters in the absence of a privy seal (PRO, Ancient Deeds, RS 417, in Maxwell-Lyte 1926, p. 112). Since he was then only 10, it seems likely that he had a secretary to handle such correspondence. Robert Braybrooke, later Bishop of London, appears as 'nostre secretaire' (our secretary) in 1379 (PRO Patent Roll 2 Ric. II, part 2, m. 26, in Maxwell-Lyte 1926, p. 114), and it seems likely that this is the earliest use of the later standard term for the keeper of the King's signet. Thereafter a more or less continuous series of holders of the post can be traced (Otway-Ruthven 1938, appendix A).

The appearance of two secretaries

Kings had, and used, a number of seals: for example, King Henry V writes in 1417 '. . .for the secreness of this Matere, I have written this Instruction wyth myn owne Hande, and seled hit with my Signet of th'Egle' (Rymer 1704, vol. ix, p. 427). However, the signet became the standard seal to authenticate the King's personal correspondence. In the same way, although kings employed more than one servant called secretary (particularly, from about 1420 a French Secretary and from about 1495 a Latin secretary (Otway-Ruthven 1938, pp. 89–105 and 190–91)), all the evidence suggests that before 1540 there was a single 'King's Secretary', who was recognized as the main channel for that correspondence and (normally) kept the signet: in 1442, when Thomas Beckington, the later Bishop of Bath and Wells, was king's Secretary, Richard Andrew, who succeeded him in the next year, was described as 'a secretary, but not a principal one' (*Calendar of Papal Registers* vol. ix, p. 281, in Otway-Ruthven 1938, p. 69). Likewise, letters patent for Oliver King, later Bishop of Exeter, in 1480 grant him the custody of the King's signet whenever Hatteclyffe, the King's Secretary, was absent from the King's person, with the office of secretary and custody of the signet on Hatteclyffe's death (*Calendar of Patent Rolls 1477–85*, p. 196 in Otway-Ruthven 1938, p. 68).

Oliver King's career underlines the growing importance of the post of the King's Secretary. He is the first bishop to hold the post of secretary with his bishopric (biographies in Otway-Ruthven 1938, appendix D): before him, secretaries had reached bishoprics, but only after moving on to more important offices.

The significant change comes with the career of Thomas Cromwell who, after the fall of Cardinal Wolsey, emerged as the most influential of King Henry VIII's councillors (Merriman 1935). Cromwell seems to have been born in Putney about 1485. In his youth he was by turns merchant, soldier and lawyer. He became one

of Wolsey's staff, and played a major part in his downfall. In 1531 Cromwell became a Privy Councillor. In 1534 he was made the King's Secretary. In 1536 he became Lord Privy Seal and, a few days later, Lord Cromwell, though without relinquishing the secretaryship. The ambassador of the Holy Roman Emperor noted that the keepership of the privy seal carried with it the title of 'My Lord', but the secretary was addressed only as 'Master (*Letters and Papers of Henry VIII* vol. ix, p. 25). (It is interesting to note that Secretaries of State are still called 'Mr Secretary' in certain formal circumstances: for example, in the Order Paper of the House of Commons.)

In April 1540, Cromwell was created Earl of Essex. He seems to have regarded the higher ranks in the peerage as incompatible with being the King's Secretary, since he resigned as Secretary in March. This incompatibility is underlined by the drafting of the 'Act for the Placing of the Lords' (The House of Lords Precedence Act 1539 (31. Hen. VIII ch. 10)). Cromwell's personal interest in this Act of the previous year can scarcely be doubted, given that it gives the highest place of honour, next after the immediate royal family, to 'the King's Vicegerent in ecclesiastical jurisdiction' – a post he held. Here, the relevance is the different treatment accorded to different offices of state. The posts of Lord Privy Seal (another post of course held by Cromwell) and Lord President of the Council are given precedence before all dukes, immediately after the Vicegerent, the Archbishops and the Lord High Chancellor. The other great offices of State (Earl Marshal, Lord Chamberlain, Great Master of the Household (the then description of the earlier and later Lord Steward)), if peers, are given precedence before all other peers of their degree. The King's Secretary, however, is only given precedence before others of his degree if he is a bishop or a baron. This suggests that Cromwell, and perhaps also his contemporaries, would not have thought it proper for an Earl or a Viscount to be the King's Secretary.

Cromwell arranged that he should be succeeded not by a single secretary, but by two – Thomas Wriothesley and Ralph Slater. A number of motives can be suggested for this – the growth in business, or the need to have one secretary in Whitehall and another with the court. But since Cromwell had managed to combine the posts of Lord Privy Seal and King's Secretary for four years, it may be more likely that Cromwell was anxious that no-one should be able to use the office as a stepping stone to power in the way that he had done. By dividing the office, he reduced the risk of influence being concentrated in one pair of hands. The fact that King Henry VIII maintained this arrangement – and the existing office holders – after Cromwell's downfall suggests that he too saw advantage in avoiding the concentration of power. This arrangement is recorded in a memorandum which provides:

> First, that Thomas Wriothesley and Raf. Sadler and every of them shall have the name and office of the King's Ma^{tes} principal secretariyes during His Highness pleasure, and shall receive to be equally divided betwene them all such Fees Droicts Dieuties and Commodities not hereafter specially limited as have, doe or ought to belong to th'Office of His Ma^{tes} principall secretarye...(Stowe MSS 163 f. 170 (a lawyer's notes on the office of Secretary of State) in *State Papers of Henry VIII*, London 1831, vol. p. 623).

The development of the double secretariat

The appointment of two secretaries remained the norm for the rest of Henry VIII's reign and under Edward VI and Mary. Under Mary, the secretaries' salaries were made a charge on the Exchequer, rather than the more personal Chamber finances – a move from the secretary's role as primarily the monarch's servant to that of an officer of state. From the appointment of Sir John Boxall in 1557, therefore letters patent granting an Exchequer annuity of £100 accompanied all appointments.

Elizabeth I tended to revert to the older practice, and for the majority of her reign had only one secretary. The ability of these secretaries, however, established the post of secretary as central to the whole system of administration (Sir William Cecil, Sir Francis Walsingham and Sir Robert Cecil, in particular, who between them covered 84 per cent of the reign). For six years from Walsingham's death in 1590, she had no secretary, relying on William Cecil (Lord Burghley) as Lord Treasurer. His son, Robert Cecil became sole secretary in 1596. Then in 1600 a 'second secretary' was appointed: 'Mr Secretary Herbert, whom some call Mr Secondary Herbert in view of the wording of his patent' (*Chamberlain's Letters* (Camden Society Publications, vol. lxxix 1861, p. 145 in Evans 1923, p. 57). This represented a break with the tradition of two equal secretaries – due, no doubt to Cecil's pre-eminence.

With this increase in importance comes the title of 'Secretary of State'. This title first appears in Spain about 1527 ('Los Secretariós de Estado y del Despacho' in Fayard 1979, p. 67n). The story is recorded that, after Franco-Spanish negotiations in 1557, the French *secretaires des commandements et finances du roi* (secretaries of the king's orders and finances) adopted the Spanish style. Certainly, by 1560 this new title had been granted to them officially (Ordonnance of 1560, in P. Sueur 1989, vol. i, p. 199). The title was gradually adopted in England by the end of the century: 'The State and Dignity of a Secretary of State's place with the care and peril thereof' was written by Sir Robert Cecil himself in 1600 (Elton 1953, p. 202). Thereafter, the title becomes established official usage.

James I retained Cecil and Herbert until their deaths, but after Cecil's death in 1612 and Herbert's virtual retirement, attempted for a brief period to manage without a Secretary of State, relying on various courtiers for secretarial duties (Evans 1923, pp. 61–69). In 1614, however, James was compelled to revert to the previous norm and appoint two secretaries. Thereafter the double office was retained.

The two Departments

Two secretaries doing the same work clearly gives scope for much confusion. This was minimized when one of them was clearly the dominant personality. The more equal the King's servants, however, the more need for demarcation. The dismissal of Sir John Coke in 1640 after nearly 15 years service showed the need for a demarcation: a formal division was made in overseas affairs – matters from Spain, Portugal, Flanders, Italy and Ireland were allotted to one secretary, France, Holland, the Baltic, Germany and Turkey to the other (PRO State Papers Domestic, Charles I, vol. ccccxliv, p. 51, in Evans 1923, p. 102).

At the Restoration in 1660, this arrangement was continued, with minor

modifications to bring Catholic parts of Germany together with Spain, and to separate Spain and Portugal (*Historical MSS Commission 4th Report*, p. 230, in Evans, p. 102). On the Earl of Arlington's appointment in 1662, this was again modified to put France and Portugal together with Spain and the other southern countries, and to bring Germany together again in the northern group (PRO State Papers Domestic, Charles II, vol. lxi, p. 154 in Evans 1923, p. 103). Thus were created the Northern and Southern Departments which were to persist until 1782.

The merger of the English and Scottish Secretaryships

In Scotland, developments had been parallel to those in England, though they are less well evidenced. The single King's Secretary, who is evidenced from 1497 (Maitland Thomson 1905, p. 65), was doubled after the English fashion in the Restoration period. The Anglo-Scottish Union provided for the continuance of the Scottish seals: '. . . And that the Privy Seal, Signet, Casset, Signet of the Justiciary Court, Quarter Seal and Seals of Court now used in Scotland be continued. .' (Article XXIV of the Treaty of Union scheduled to the Union with Scotland Act 1706 (6 Anne, ch. 11) and the Scottish Act 1707, ch. 7).

To begin with, the existing Scottish Secretaries of State, the Earls of Mar and Loudon, were reappointed, but in terms that confined their activities to Scotland, leaving open the question of their status in relation to the existing English Secretaries (SRO, Scottish Warrant Books, vol. 25, p. 28, in Thomson 1932, p. 29). Mar received the custody of the separate Scottish signet (PRO, State Papers Domestic, Anne, vol. 10, p. 67, in Thomson 1932, p. 164).

In 1708 Loudon resigned, and in 1709 Mar was dismissed. In consequence, the Duke of Queensberry was appointed Secretary of State, in terms which made clear that he was on an equal footing with the other Secretaries of State: '. . . the public business of this Her Majesty's Kingdom increasing, Her Majesty is graciously pleased to constitute James Duke of Queensberry and Dover one of Her Majesty's Principal Secretaries, besides those now being, during Her Majesty's pleasure.' (British Museum, Harleian MSS 2263, f. 338r, in Thomson 1932, p. 30). The Queen announced in Council that she did not propose to make any changes in the management of foreign affairs, but that domestic affairs were to be handled indifferently by all three secretaries. In practice, however, Queensberry monopolized Scottish business and had little to do with English affairs (Thomson 1932, p. 30, citing current correspondence).

Queensberry, nevertheless, tried to claim that the office fees should be divided equally between all three secretaries. This was indignantly rejected by the other, English, secretaries, who claimed that their existing arrangement for equal division of the larger, English fees was a personal, voluntary agreement (letters in Thomson 1932, p. 164). On the departure of the Earl of Sunderland as one of the 'English' secretaries in 1710, Queensberry was able to obtain his wishes – probably as a gratification to retain his support: 'His Grace the Duke of Queensberry entered upon part of the Northern Province as one of Her Majesty's Principal Secretaries of State, June 15, 1710' (Note in PRO, State Papers Foreign, Entry Book 121, in Thomson 1932, p. 32).

On Queensberry's death in 1711, the third secretaryship was allowed to lapse (to avoid invidious choice between rival candidates). Thereafter it had a spasmodic existence, being filled only in 1713–1714 (Earl of Mar), 1714–1715 (Duke of Montrose), 1716–1725 (Duke of Roxburghe) and 1741–1746 (Marquis of Tweeddale). All these appointments were on the same basis as that of Queensberry in 1709: they were clearly colleagues to the existing two (English) secretaries; like him they handled the Scottish business, but unlike him they did not attempt to encroach on foreign affairs (or English fees) (Thomson 1932, p. 35).

After the disappearance of a specifically Scottish secretaryship, the separate Scottish signet was entrusted to the Lord Clerk Register, one of the Scottish Officers of State. It became so much a part of his accepted functions that when his office was reorganized in 1879 the custody of the signet was said to remain with him 'as heretofore' (The Lord Clerk Register (Scotland) Act 1879 (42 & 43 Vic. ch. 44), s.3).

The reappearance of the third secretaryship

George I and George II had the habit of passing part of the year in Hanover. They were attended normally by one of the Secretaries of State, normally the one for the Northern Department, in whose 'province' Hanover lay. On a couple of occasions, this absence resulted in the appointment of a third Secretary of State to handle matters in London – in 1716, Sir Paul Methuen was appointed to cover the Southern Department during the Earl of Stanhope's absence in Hanover, and in 1723 Sir Robert Walpole was appointed during the absence in Hanover of both Secretaries of State, an absence caused by the farcical determination of neither the Duke of Newcastle nor Lord Carteret to allow the other undivided access to the King (Thomson 1932, p. 47).

A third secretaryship reappeared again in 1766, to deal with the increasing colonial business. The Earl of Hillsborough was appointed, his salary patent reciting that 'Whereas the business of our Colonies and Plantations [is] increasing, it seemeth expedient to Us to appoint one other Principal Secretary of State besides our two ancient Secretaries...' (in Thomson 1932, p. 56). This appointment occasioned an inconclusive debate in the House of Lords on its legality (Report printed from British Museum Add MSS 34412 ff. 393–5 in Thomson 1932, pp. 171–3). The motive for this seems to have been to protest at the increase in the number of ministers, since one of the main arguments used was the provision against having more commissioners for the execution of an office than was the case on 23 October 1707 (The Succession to the Crown Act 1707 (6 Anne c. 7), s. 27). The other arguments were on the inconsistency with the drafting of the Regency Acts of 1751 and 1765, which proceeded on the basis of two Secretaries of State).

Hillsborough was succeeded by the Earl of Dartmouth and then, in 1775, by Lord George Germain. Germain's career was unorthodox: he was an army officer who, at the battle of Minden, thrice refused an order to charge; he was court-martialled and declared unfit to serve George II in any capacity (Phillips 1929). Nevertheless, George III saw in him the man to conduct the war in North America. Germain was an MP, and care was therefore taken to avoid challenges to his

position based on the provision barring the holders of new offices from the Commons (The Succession to the Crown Act 1707 (6 Anne c. 7), s. 23). The clause quoted above was thus omitted from his salary patent.

Nevertheless, in 1779 Sir Joseph Mawbey raised the question in the Commons, arguing that in substance Germain held a new office. This would have entailed his disqualification for sitting in the Commons under section 25 of the Succession to the Crown Act 1707. The government, however, replied that Germain's office was the old office of Secretary of State, and that (since the office of Secretary of State was not in commission) the provision limiting the number of commissioners was irrelevant. On a division Mawbey attracted only one vote (Cobbett's *Parliamentary History*, vol. xx, col. 250).

The abolition and second reappearance of the third secretaryship

Germain was a failure. In 1781 George III entertained the idea of abolishing the colonial secretaryship, and introducing a new division between the remaining two secretaries of, on the one hand, foreign affairs and, on the other, home and colonial affairs (George III, *Correspondence* 1927, vol. v item 3485, in Thomson 1932, p. 64).

In February 1782, Germain's resignation was procured, as often happens, by his elevation to the Lords as Viscount Sackville. He was replaced by William Ellis. In March 1782, however, the government collapsed, and George III had to accept the Opposition leaders, including Edmund Burke, into government. One result of Burke's initiatives to resolve the problems of deficits on the Civil List and excessive Crown influence in the Commons was his 'Economical Reform Act', later given the official short title of the Civil List and Secret Service Money Act 1782 (22 George III ch. 82). Section 1 of this Act abolishes a whole host of sinecures; it also provides

> From and after the Passing of this Act the Office commonly called or known by the Name of the Third Secretary of State or Secretary of State for the Colonies...shall be and are hereby utterly suppressed, abolished and taken away.

Section 2 adds

> And...if any Office of the Same Name, Nature, Description or Purpose of those hereby abolished shall be established hereafter the same is and shall be deemed and taken as a new Office to all Construction, Intents and Purposes whatsoever.

This provision therefore ensured that the bar in the Act of Settlement on holders of new offices sitting in the Commons was applied to any such revived office.

The effect of Burke's Act was thus that the number of Principal Secretaries of State was reduced to two. In line with the views earlier expressed by King George III, and therefore possibly at his suggestion, the opportunity was taken to rearrange the distribution of business between the two Secretaries of State, substituting the division between Home and Foreign for that between North and

South. As is well known, there is no formal document recording this change other than the circular despatch by Charles James Fox, the new Foreign Secretary, to British envoys overseas:

> The King having on the Resignation of the Lord Viscount Stormont been pleased to appoint me one of His Principal Secretaries of State and at the same time to make a new arrangement in the Departments by conferring that for Domestic Affairs on the Earl of Shelburne and entrusting me with the sole direction of Foreign Affairs, I am to desire you will for the future address your letters to me.' (PRO Foreign Office Entry Book, in Anson 1935, vol. ii(i), pp. 265–6).

The re-emergence of the third secretaryship

The revolutionary wars in Europe soon made the work too much for the two Secretaries of State, and so a third was appointed. The sequence of appointments (which is of some importance) was as follows: May 1791, Lord Grenvill appointed Foreign Secretary and Henry Dundas appointed Home Secretary; July 1794, the Duke of Portland appointed Home Secretary; July 1794, Henry Dundas appointed Secretary of State for War.

In 1791, a Select Committee of the House of Commons which was examining public expenditure took evidence on the establishment of the post and the office expenses involved. They reported on the need for the extra staff in the light of the war in progress, and referred to the establishment of the War Office as that of a third Secretary of State (House of Commons Journals, vol. XIV p. 317).

In December 1794 John Tierney, MP, raised in the Commons the right of Henry Dundas to sit in the House, since Dundas was, he claimed, disqualified by the Act of Settlement. No further action was then taken (Cobbett's Parliamentary History vol. xxxi c. 1003).

In November 1797 Tierney returned to the charge. He developed at length the argument that the third Secretaryship was unnecessary, and then proceeded to argue that it was unlawful for Dundas to sit in the House of Commons:

> Mr Burke's Bill provided that the office 'commonly called the office of third Secretary of State or Secretary for the Colonies' (as it was then called) should be suppressed abolished and taken away, and that two only should remain – those for the northern and southern departments, and that 'if any office of the same nature or description should thereafter be established' it should be taken to be a new office. Now, Sir, I ask any gentleman of the law whether words could be found to comprehend a larger explanation of the intentions of that provision? Lord George Germain, who held the office of third secretary, was more cautious than the rt hon gentleman, for he never gave any specific name to the office he held but held it generally by the title of 'one of his majesty's principal secretaries of state', and Mr Burke was therefore driven to describe it in the manner he had done.

Mr Tierney then went on to argue that Dundas' office was the same as that which had been abolished on the grounds that Dundas was undoubtedly doing work that had been done by previous Secretaries of State. He went on

Perhaps gentlemen will endeavour to shelter him by saying that it is the Duke of Portland that is the new secretary: for certainly they cannot say that it is Lord Grenvill. But it cannot be shuffled off in that manner. If it can Mr Burke's bill is but a farce from one end of it to another. The [Select Committee's] report states the necessity of a separate establishment and additional office of secretary of the war department, and that office the rt hon gentleman is avowed to hold...Perhaps it will be said that this is only a new division of the Secretary's office: even that Mr Burke's bill is against; or it may be said that the rt hon gentleman being a commoner possessed the office and cutting it into two parts gave half of it to a peer and doing so has not forfeited his seat – as if the master of the Mint were to give generally the office to a peer and reserve to himself, being a commoner, only the coining of sixpences.

He concluded by moving two motions:

1. that the office of Secretary of State for the War Department was in addition to the office of Secretary of State for the Foreign and Home Departments first established on the 11th July 1794;
2. that the rt hon Henry Dundas, Secretary of State for the War Department, was by accepting the said office rendered incapable of being elected to serve in Parliament and ought not to sit in this House (*Cobbett's Parliamentary History*, vol. xxxiii c. 963)

In the ensuing debate, William Pitt (the Younger) made the most telling contribution, winding up for the government:

My rt hon friend says 'Here are three secretaries of state; two of them existed before; another is added; who is the third? either of the former two or the one who is added to them?' This is precisely the case which we are now debating, nor is it possible fairly to state it otherwise unless it be proved that each office of secretary of state has, not by custom and convenience for practical purposes, but by law, a particular designation, department and division. I say that the office of secretary of state has no such department designation or division by law, but is – in the legal sense – independent of such distinction. The office of Secretary of State in the legal sense depends on the grant and delivery of the seals. The title of the office is 'one of his majesty's principal secretaries of state'. By that grant and delivery of the seals, everyone of these persons becomes a legal organ to countersign any act of state, and he is placed in that department of business which his majesty thinks fit to allot for him...
    The hon gentleman relies much upon the language of the last report of the committee [that is, the committee of 1791], and triumphantly concludes from thence that my rt hon friend is a third secretary of state. To which I answer that the language of the report and that of the clerks who gave their evidence before the committee is taken merely from popular acceptation and has no reference to the real and legal definition of the office of secretary of state constituted by his majesty and the delivery of the seals. Has my rt hon friend any new grant since the year 1791? No. He has now the old seals and the old grant. I say then that according to the spirit of the 6th of Anne my rt hon friend has not forfeited his right to sit in this House...
    What is the spirit of Mr Burke's bill? It is not a bill to restrain the creation of

offices generally, nor to prevent his majesty having a third secretary of state by name, but it states·that if a third secretary of state or of the plantations be added such secretary shall not sit in the commons...

Tierney pressed the first motion to a division. It was defeated by 139 votes to 8.

The arguments depend on whether the offices of Secretary of State for the War Department and of Secretary of State for the Home Department are to be regarded as two separate offices, or as two specimens of the same office with different descriptions attached. The practical point of the argument was whether Dundas could continue to sit in the House of Commons. The House of Commons claimed at that time, as one of their privileges, to be the sole judge of the qualifications of its members. As the sequence of Tierney's motions shows, the status of the office of Secretary of State was an essential preliminary issue in deciding whether Dundas could continue to sit. The House having resolved the issue, no other body was competent to reopen it. The view, which had frequently previously been expressed – that there was only one office of Secretary of State with a number of simultaneous holders – was given official confirmation, and has since held the field without challenge.

19th and early 20th century developments

The way in which this view was preserved can be seen from subsequent changes up to 1937. Legislation was essential to permit a further Secretary of State to sit in the Commons (the approach, established largely by chance, that at least one Secretary of State should not sit in the House of Commons, was preserved) and was by convention needed to authorize his salary. However, the legislation was at pains to emphasize that the number of Secretaries of State and the division of responsibilities between them was a matter for the royal prerogative. First, in 1801, responsibilities for the Colonies were transferred from the Home Secretary to the Secretary of State for War, who added the Colonies to his title. Then, as a result of the Crimean War, in 1854 the War Office and the Colonial Office were divided, and an additional (fourth) post of Secretary of State was created. A statute of 1855 (18 & 19 Vic., ch. 10) consequently provided that '...any Three of Her Majesty's Principal Secretaries of State may sit and vote as Members of the House of Commons...'. The role of the Secretary of State for War thus created was completed in 1855 when the Board of Ordnance was abolished and its functions were transferred to 'Her Majesty's Principal Secretary of State for the Time being to whom Her Majesty shall think fit to intrust the Seals of the War Department' (Ordnance Board Transfer Act 1855 (18 & 19 Vic., ch. 117), s. 1). Next, in 1858 in the aftermath of the Indian Mutiny, all the powers and duties of the East India Company, and its Court of Directors and Court of Proprietors, were transferred to 'One of Her Majesty's Principal Secretaries of State' (The Government of India Act 1858 (21 & 22 Vic. ch. 106)). This Act also provides that 'After the Commencement of this Act any Four of Her Majesty's Principal Secretaries of State for the time being...may sit and vote as Members of the House of Commons, but not more than Four such Principal Secretaries of State...shall sit as Members of the House of Commons at the same Time' (section 3); this provision, amended by

increases to five in 1917 and six in 1926, remained in force until 1937. Next, at the creation of the Royal Air Force in 1917, an Air Council was instituted on the model of the War Office as reformed in 1904 (The Air Force (Constitution) Act 1917 (7 & 8 George V, ch. 51). This was to include 'one of Her Majesty's principal Secretaries of State' – which naturally led to the institution of the Secretary of State for Air. Then, in 1926, the Secretaries of State Act 1926 (16 & 17 George V, ch. 18) provided that, 'on the first appointment after the passing of this Act of an additional Secretary of State', the functions of the Secretary for Scotland (a post created as a junior minister by the Secretary for Scotland Act 1885 (48 & 49 Vic., ch. 61)) should transfer to the Secretary of State. Next, in 1926 Leo Amery insisted on the creation of a separate Dominions Office; he held this, however, in personal union with the Colonial Office and legislative changes were not therefore required. The Dominions Office was separated in 1931 as a consolation prize for J. H. Thomas when he lost credibility as Minister for Unemployment in the post of Lord Privy Seal (a *Daily Express* cartoon showed him leaping from a worn-out nag with a wooden leg labelled 'Unemployment' to a new steed labelled 'Dominions' (Thomas 1937)). Since two Secretaries of State were in the Lords, and the salary was authorized by the Appropriation Act, no legislation was needed. Finally, in 1936, as a consequence of the Government of India Act 1935, the new title of Secretary of State for Burma was created; this was, however, always held in personal union with the India Office.

A change in approach

In 1937, as a final act before his retirement, Stanley Baldwin addressed comprehensively the statutory rules affecting ministers, sweeping away a host of complex interacting provisions dating back to 1689 (Barnes and Middlemass 1968, p. 1035). In his second reading speech, he stressed that his motive was to ensure fair pay for Ministers of the Crown and, even more, the Leader of the Opposition. The Ministers of the Crown Act 1937 (1 Edw. VIII & 1 George VI, ch. 23) adopted two basic rules: (a) instead of specifying which specific senior ministers and how many Secretaries of State might sit in the House of Commons, it set limits on, on the one hand, the number of all holders of ministerial posts that may sit in the Commons (70) and, on the other, on the number of senior ministers who could do so (15); (b) instead of specifying how many Secretaries of State could receive salaries, it set a limit (15) on the number of salaries that could be paid to senior ministers. The senior, and other, ministerial posts were specified in a schedule, which simply included the 'Secretary of State' as one of the senior ministerial posts.

This legislation increased the room for manoeuvre without specific legislation, thus re-emphasizing that the organization of the Secretaries of State was a matter for the royal prerogative – that is, the government. The pattern set by this Act has since remained, with changes in the numbers specified, and the removal of the separate limit on senior ministers sitting in the Commons (The Ministers of the Crown Act 1964 ch. 98, s. 3(1)).

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The eventual consequences of this change

There were few changes in the pattern of posts of Secretary of State from 1937 to 1964: the combined posts of Secretary of State for India and Secretary of State for Burma disappeared with the independence of those countries in 1947; and the Secretary of State for Dominion Affairs was renamed the Secretary of State for Commonwealth Relations in 1947.

A period of more rapid, indeed constant, change started in 1963. Three steps were taken at much the same time. The Minister of Education was transformed into the Secretary of State for Education and Science. The debate on the change, as a result of the 1963 Civil Science review, made clear that the choice of the title of Secretary of State was to emphasize the status of the office (Official Report, 5th series *Hansard* vol. 691, col. 569). The second step was that Edward Heath, as President of the Board of Trade, was given a new title of Secretary of State for Industry, Trade and Regional Development. In the same year the unified Ministry of Defence was created from the War Office and the Air Ministry (already two 'Secretary of State' departments), the Admiralty and the (coordinating) Ministry of Defence. Given the use of the Royal Sign Manual, traditionally countersigned by a Secretary of State, in the issuing of army and air force officers' commissions, it was inevitable that the unified ministry should become a 'Secretary of State' department. The consequential legislation therefore proceeded on the traditional line that, 'If Her Majesty is pleased to make arrangements for one of Her Majesty's principal Secretaries of State to be charged with general responsibility for defence' (something which had already happened), then certain changes were to follow (The Defence (Transfer of Functions) Act 1964, ch. 15). The Orders made under this Act are one of the few pieces of legislation that regularly provide for a function to be vested in a specific Secretary of State.

The perception of the greater status of the title of Secretary of State seems to have influence in the changes accompanying the new government of Harold Wilson in 1964. Five new government departments were created: three were ministries (Land and Natural Resources, Technology, Overseas Development); only two were 'Secretary of State' departments – the Department of Economic Affairs (which was to be headed by the Deputy Leader of the Labour Party) and the Welsh Office (where there was clearly a need to equate its status with the Home Office and the Scottish Office).

The experience, however, showed that creating a new post of Secretary of State had certain advantages in flexibility over creating a new post of minister. Although the Ministers of the Crown (Transfer of Functions) Act 1946 (9 & 10 George VI ch. 31) gave power to transfer ministerial functions between existing posts and to make consequential changes in legislation, it did not give power to create new posts of *minister*: many essential features (such as the power to pay the new minister) would have to await legislation; with the creation of a new post of Secretary of State, this was avoided since the necessary legislation was already there. Hence, when new senior posts were wanted in 1968 (for the unification of health and social security) and 1969 (to begin the same for local government, transport and planning), new posts of Secretary of State were created.

Questions of marking off the status of the most senior ministers may also have played a part. From the mid-1960s the title of 'Minister of State' (often in the form of 'minister for' this or that, and usually abbreviated to 'minister') became much more common. The 14 Ministers of State in 1963 had become 22 by 1970 and 26 in 1992. Giving the heads of new ministerial departments the title 'Secretary of State' provided a way of clarifying their status as against the (junior) Minister of State and of emphasizing their parity with the prestigious offices of Home Secretary and Foreign Secretary.

Once adopted, this approach became standard, and there began the sequence of rapid – almost amoeba-like – splitting and merging of ministerial responsibilities that marked the 1970s. The extent of all these changes can be seen from the list (table 1) of titles of Secretary of State that have been created, or suppressed, in the last twenty years.

TABLE1   Titles of Secretary of State created or suppressed since 1963

1963–1992:	Secretary of State for Education and Science
1963–1964:	Secretary of State for Industry, Trade and Regional Development
1963–	: Secretary of State for Defence
1964–1969:	Secretary of State for Economic Affairs
1964–	: Secretary of State for Wales
–1966:	Secretary of State for the Colonies
–1966:	Secretary of State for Commonwealth Relations
1966–1968:	Secretary of State for Commonwealth Affairs
–1968:	Secretary of State for Foreign Affairs
1968–	: Secretary of State for Foreign and Commonwealth Affairs
1968–1970:	Secretary of State for Employment and Productivity*
1968–1989:	Secretary of State for Social Services
1969–1970:	Secretary of State for Local Government and Regional Planning
1970–	: Secretary of State for Employment
1970–	: Secretary of State for the Environment
1970–1974:	Secretary of State for Trade and Industry
1972–	: Secretary of State for Northern Ireland
1974–1992:	Secretary of State for Energy
1974–1979:	Secretary of State for Trade
1974–1979:	Secretary of State for Industry
1974–1979:	Secretary of State for Prices and Consumer Protection
1979–	: Secretary of State for Trade and Industry
1989–	: Secretary of State for Health
1989–	: Secretary of State for Social Security
1992–	: Secretary of State for National Heritage
1992–	: Secretary of State for Education

* *Note:* When the post of Secretary of State for Employment and Productivity was created to change the image of the earlier post of Minister of Labour, Mrs Barbara Castle suggested the title of 'Secretary of State for Labour and Production', but Mr Wilson vetoed this on the grounds that such a title for a 'lady Minister' would give rise to 'bar-room vulgarity' (Wilson 1971, p. 521).

A sidelight: the First Secretary of State
In this period of change the title of 'First Secretary of State' made a brief appearance: held as an honorific by one of the Secretaries of State – from 1964 to 1968 by successive Secretaries of State for Economic Affairs (George Brown and Michael Stewart), and then from 1968 to 1970 (when it disappeared) by the Secretary of State for Employment and Productivity (Barbara Castle). In origin it was clearly devised to mark out George Brown in his role of Deputy Leader of the Labour Party, but it was of insufficient interest to merit any mention of the reason for its creation in Wilson's 600-page memoir of his first government (Wilson 1971). Its role as an honorific, however, is clearly shown by the role that it played in the 1968 Cabinet reshuffle: Richard Crossman writes:

> Then I put it to her [Barbara Castle] direct. 'What about your being First Secretary instead of me? Why don't you become First Secretary while I stay Lord President and keep my lovely room in the Privy Council. I don't really mind. It's only stuff and titles to me.' She leapt at it with tremendous energy, as though it made all the difference to her (Crossman 1977, vol. ii, p. 761).

A FURTHER COMPLICATION

The problem of property
King William III, following earlier precedents, made much use of grants of Crown lands to reward his successors. This practice was resented, both for the reason given in the legislation ('...whereas the necessary Expenses of supporting the Crown, or the greatest Part of them, were formerly defrayed by a Land Revenue, which hath from Time to Time been impaired and diminished by the Grants of former Kings and Queens of this Realm...' (The Crown Lands Act 1702, 1 Anne Stat. I ch. 1, ch. 7 in Serjeant Ruffhead's edition, s. 5) and, probably, to discourage the use that had been made of land grants to buy influence. Crown grants for not more than 31 years (50 years for improvement leases) or 'three lives' (that is, the traditional lease for the life of the longest-lived of three persons living when the lease was granted) were exempted.

The practical effect of this was to make it difficult for the Crown to manage an estate where the buying and selling of land was necessary: in that case, it was necessary to ensure that the technical ownership of the land was not vested in the Crown, but in some other body. To begin with, this did not matter for the Secretaries of State: the only land and buildings that they needed were their offices, which were either Crown freehold, with no intention of sale, or leaseholds, which were not affected in the same way by the 1702 Act.

The complications which follow
When new functions were transferred to the Secretary of State which had previously been vested in other bodies which had held their own land, new provision was needed. The first of these cases was when the functions of the Board of Ordnance were transferred to the Secretary of State for War. By then two approaches had been precedented: on the one hand, a group of public-office holders could be made

a corporation aggregate who collectively held the property in the same way as a municipal corporation or a university college (for example, the Commissioners of Her Majesty's Works and Public Buildings under the Commissioners of Works Act 1852 (15 & 16 Vic., ch. 28), s. 1). Alternatively, a government minister or other public official could be made a corporation sole (like a bishop or the rector of a church) and the relevant property vested in him (for example, the incorporation of the Postmaster General as a corporation sole by the Post Office (Duties) Act 1840 (3 & 4 Vic., ch. 96), s. 67); the property was thus effectively vested in the office, not the office-holder personally: successive office-holders could act for the corporation sole (for the development of corporations sole, Maitland 1911, vol. iii, p. 210).

Clearly, however, the conceptual problems of whether there were one or many Secretaries of State inhibited the straightforward use of either of these models: it was difficult to make the Secretary of State a corporation sole when there were several office-holders between whom functions could be transferred at will; it was equally difficult to make them collectively a corporation aggregate when any single one of them could perform any of the functions. When the property vested in the Board of Ordnance was transferred along with their functions, the Ordnance Board Transfer Act 1855 (18 & 19 Vic. ch. 117) therefore provided elaborately for the property to transfer from one Secretary of State to another' as if the Secretary of State were a corporation sole'. In other words, a statutory fiction was created.

The same problem arose with the transfer of the property of the East India Company. Here the solution – no doubt because the rights of the Company included sovereignty as well as land – was to make an exception to the principle of the 1702 Act and, while vesting the property in the Crown, to allow the Secretary of State in Council of India a free hand to manage the property (The Government of India Act (21 & 22 Vic., ch. 106) s. 40).

The next case arose at the creation of the Secretary of State for Air. Here the solution was to follow the pattern of the Admiralty, and, just as naval land was vested in the corporation aggregate of the Lords Commissioners of the Admiralty, to vest air force land in the corporation aggregate of the Air Council (The Air Force (Constitution) Act 1917 (7 & 8 George V, ch. 51), s. 8).

The creation of the Secretary of State for Scotland in 1926 did not at first require any solution to the problem of the ownership of land: the various Scottish departments remained in being as corporations (aggregate) and it was they who held the land. However, when in 1939 the separate Scottish departments were abolished and their functions transferred to the Secretary of State, something had to be done. The concept of the corporation sole has been alien to Scottish law since 1689 (when bishoprics were abolished), and so not even the creation of a fiction on the lines of the War Office was possible. In consequence, the Reorganisation of Offices (Scotland) Act 1938 (2 & 3 George VI, ch. 20) spells out elaborately the provisions necessary to achieve the automatic transfer of property from one holder of the office of Secretary of State for Scotland to another, without incorporating the office or preventing a Secretary of State who has a different title from acting in respect of the property.

. The problem arose again when the Prison Commission was abolished in 1963, and their functions transferred to the Home Secretary. Again, a fiction was adopted: it was provided that the property of the Prison Commission should be transferred to the Secretary of State for the Home Department, and that 'For the purposes of the Prison Act, the Secretary of State for the Home Department shall be deemed to be a corporation sole.' (The Prison Commissioners Dissolution Order 1963 (SI 1963/597), schedule 1.)

It was not until the Minister of Education was transformed into the Secretary of State for Education and Science that a draftsman was prepared to take the bull by the horns and provide that 'The Secretary of State shall be for all purposes a corporation sole by the name of the Secretary of State for Education and Science...' (The Secretary of State for Education and Science Order 1964 (SI 1964/490), sch. 1).

This approach was no doubt based on the assumption that the reference to the 'Secretary of State' at the outset of the provision included (by virtue of the Interpretation Act) all the existing Secretaries of State. Doubts seem to have arisen about this, because, when later the same year the office of Secretary of State for Defence was created, the similar incorporation of the Secretary of State as Secretary of State for Defence was immediately followed by 'but so that anything done by or in relation to any other Secretary of State for the Secretary of State for Defence as a corporation sole shall have effect as if done by or in relation to the Secretary of State for Defence.' (The Defence (Transfer of Functions) Act 1964, ch. 15, s. 2(1)). This approach was taken up in the creation of subsequent offices of Secretary of State in the first Wilson government later in 1964, and is now standard.

A recent re-assessment

In 1976 a case arose which led to the re-examination of the inter-relationships of the Secretaries of State. Under orders made under the Counter-Inflation Act 1973 (ch. 9), rents on business premises were frozen. To qualify, the tenant had to occupy the premises for his business. Keysign House in Oxford Street was held under a tenancy by the Secretary of State for the Environment, as part of that department's general task in providing government offices. It was actually occupied by the Department of Employment. The question therefore arose whether the Secretary of State occupied it for a 'business carried on by him'. The High Court and the Court of Appeal took the straightforward approach and decided that since the lease was held by one corporation sole, and the building was occupied by another, the rent freeze did not apply. The House of Lords, by four to one, reversed this finding. Lord Diplock, who delivered the leading speech, was prepared to look beyond the formal questions, disregard the separate incorporations and hold that, in effect, they were aspects of a single body, the Crown; it occupied the building for its business: the rent freeze therefore applied.

This decision has been criticized (Wade 1989, p. 715) on the grounds that it tends to give individual ministers the exemptions enjoyed by the Crown. It does not seem necessary, however, to read the decision as having such wide-reaching effects. It can be read as similar to 'lifting the corporate veil', which the courts

are prepared to do when justice requires that they pursue matters beyond the veil of an incorporated entity to the individual corporators. Here the decision is that in certain circumstances a similar lifting of the corporate veil to reveal the underlying reality is permissible.

CONCLUSION

The doctrine that all Secretaries of State hold the same office had its origins in the political in-fighting of the 16th and 17th centuries. It was refined in its present form in the late 18th century to accommodate political imperatives to the formalities of the law on parliamentary disqualification. Since then it has become embedded, in ever more complicated ways, in the fabric of legislation. As it now applies, it means that, with a few exceptions, most of the statutory functions of government can be shifted between departments by administrative action, since they are vested in the 'Secretary of State'. Only a handful of ministers preserve their statutory separation.

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PUBLIC MANAGEMENT

QUANGOS AND AGENCIES

LEO PLIATZKY

In the summer of 1979, when I was on the point of retirement from the civil service, I was retained for a further six months to complete a critical review of so-called quangos for the Prime Minister, Margaret Thatcher. The resulting report, approved by Cabinet, was published in January 1980 (Cmnd. 7797).

Some seven years later a report by the Efficiency Unit to the Prime Minister, called *Improving Management in Government: The Next Steps*, recommended that '"agencies" should be established to carry out the executive functions of government within a policy and resources framework set by a department. An "agency" of this kind may be part of government and the public service, *or it may be more effective outside government'* (my italics). The report was completed in March 1987 but, because of Whitehall in-fighting about the action to be taken on it, it was not published until February 1988.

If the 'outside government' option had been adopted, the wheel would have come full circle, though it is not clear that the authors of the Next Steps report were conscious of this. Quangos would have been back in favour. In the event, that' option was not preferred. The new agencies are 'part of government'. Nevertheless they are an important new departure and have the potential for major changes in the civil service.

QUANGOS

The term quango had come into use as an acronym for quasi-autonomous non-governmental organization and was applied to three types of body which, in the words of the 1980 report, 'have a role in the processes of government in the United Kingdom but which are not Government Departments or part of a Government

Sir Leo Pliatzky was formerly Second Permanent Secretary at the Treasury and later Permanent Secretary of the Department of Trade. After retirement from the Civil Service he was a non-executive director of several large companies for ten years.

Department.' The three categories were, first, executive bodies which function on the fringes of central government, and which are in most cases set up by a specific Act of Parliament; secondly, advisory bodies; and third, tribunals. It is the first of these categories with which I am here concerned, in order to compare these bodies with the executive agencies set up under the Next Steps initiative.

Although quango is a catchy word, the adjectives quasi-autonomous and non-governmental are unfortunately inaccurate in this context. As I wrote in the 1980 report:

> The special feature common to these bodies is that they are *non-Departmental* and, so far from their being altogether *non-Governmental*, one of the reasons given for concern about them is that they may represent not only a spread of patronage but a concealed growth of government which does not show up in the size of the civil service. Moreover the description quasi-autonomous is not generally apposite and would be particularly misleading in relation to tribunals if it were to imply that they had less than full judicial independence.

The 1980 report adopted, therefore, the term Non-Departmental Public Bodies. This does not lend itself to a catchy acronym (though Whitehall now uses the initials NDPB) but is a more accurate description of these bodies which operate at arm's length from central government. The report identified a number of reasons why this arm's length relationship had been adopted for non-departmental bodies in the executive category –

> because the work is of an executive character which does not require Ministers to take responsibility for its day-to-day management; because the work is more effectively carried out by a single purpose organisation rather than by a Government Department with a wide range of functions; in order to involve people from outside government in the direction of the organisation; or, as a self-denying ordinance on the part of Government and Parliament, in order to place the performance of a particular function outside the party political arena.

The Fulton Committee's Report on the Civil Service in 1968 gave a cautious endorsement to this type of organization –

> There is indeed a wide variety of activities to which it might be possible to apply the principle of 'hiving off'. They range from the work of the Royal Mint and air traffic control to parts of the social services... The creation of further autonomous bodies, and the drawing of the line between them and central government, would raise parliamentary and constitutional issues... We think, however, that the possibility of a considerable extension of 'hiving off' should be examined, and we, therefore, recommend an early and thorough review of the whole question.

No such early and thorough review followed, but a certain amount of *ad hoc* hiving off took place. In particular, the Department of Employment hived off the Manpower Services Commission, the Health and Safety Commission and Executive, and the Advisory, Conciliation and Arbitration Service.

It was natural in 1979 that an administration committed to rolling back the frontiers of government should look critically at this aspect of government. But

though that was itself a reasonable enough measure, the expressions of hostility towards quangos in some quarters struck me as disproportionate. In a pamphlet (undated) entitled 'QUANGO, QUANGO, QUANGO' Philip Holland MP had written that

> Ministers have discovered that the system can be used for shedding personal responsibility, rewarding friends, expanding the corporate state, diminishing the authority of Parliament, and enabling themselves to retain a measure of control over the interpretation of their own statutes. On its present scale, the vast and complex network of QUANGOS encourages an abuse of patronage and invites corruption.

The Adam Smith Institute, which published the pamphlet, wrote that 'Quangos represent a fourth arm of government with ominous powers in the interpretation and enforcement of law.' The underlying doctrine was that the state should intervene as little as possible in the functioning of the market economy, and that any such intervention should be effected by the government itself, answering directly to Parliament.

The Prime Minister herself proved more pragmatic. The fact that the quango review was in progress did not inhibit her from approving Michael Heseltine's proposal for a Dockland Development Corporation, and she was complimentary about a report which did not involve anything like a slaughter of the innocents, though it did represent merely a first instalment of action in this field; the follow-up action included arrangements for a periodic fresh look at each executive-type, non-departmental body. One of the report's conclusions was that the degree of satisfaction with hived off bodies was

> sufficient to justify recourse to the non-Departmental method in further cases on a selective basis, but there have also been enough problems to give Ministers pause before creating new chosen instruments. . Generally speaking the moral indicated is, not so much that we should set about turning the clock back, but that we should not think in terms of a further considerable extension of 'hiving off'. . . .

That such undogmatic findings should have been accepted, against the background of the dogmatic anti-quango campaign which I have mentioned, seemed to me, in a small way, a satisfactory result.

AGENCIES

In contemplating, as one of its options, a whole raft of executive agencies which might be outside government, the Next Steps report ran completely counter to the 1980 report and to the thinking which led up to it. Theories of organization do tend to go in and out of fashion. The fashion had changed once between the Fulton report and Mrs. Thatcher's review. The authors of the Next Steps report may conceivably have thought that the time had come for it to change again. But it does seem curious that, in its appendix on 'Previous Reports on the Civil Service', the Next Steps report does not even mention the 1980 report on non-departmental bodies.

However, the embarrassment of a U-turn was avoided by the terms of the Prime Minister's statement to the House of Commons on 18 February 1988 which, in approving the establishment of executive agencies, said that 'These agencies will generally be within the Civil Service, and their staff will continue to be civil servants'. It also referred to agencies as 'units clearly designated within Departments'.

Given this decision, no legislation was needed for this measure, which was introduced with remarkable speed, illustrating once again the results which can be obtained within the Whitehall machine by a designated senior official operating with the authority of the Prime Minister and carrying the clout which this confers: in this case, the Project Manager, who was a Second Permanent Secretary and head of the Office of Public Service and Science, which in turn is part of the Cabinet Office. (However, in July 1992, to general surprise in view of the results which he had achieved, the original Project Manager was prematurely retired; his replacement was given the rank of full Permanent Secretary.) By 1 July 1992, 75 agencies had been set up, each with its own chief executive, employing over 211,000 staff between them, and further agencies were in the pipeline. In each case the agency's functions, and the framework of policy and resources within which it operates, are set out in a framework document. In addition, 30 Executive Units had been set up in Customs and Excise, and 34 Executive Offices in Inland Revenue, both of which departments were described as 'operating fully on "Next Steps" lines', bringing the total number of staff involved to over 300,000.

The areas of activity which have become agencies include some, such as the Insolvency Service with a staff of 1,110, and the Patent Office with 1,200, which, when I was at the Department of Trade, as it then was, and to which they then belonged, were already distinct and mainly self-contained operations, seldom involving the attention of the Secretary of State or the Permanent Secretary, which must have lent themselves readily to agency treatment. But at the other end of the spectrum they also include the Social Security Benefits Agency, about 63,000 strong, which has been given managerial responsibility for delivering key services provided by the Department of Social Security and for spending the great bulk of the social security programme, by far the largest of all public expenditure programmes. In a case such as this, the relationships of an agency with the department's policy core, and the roles of the Secretary of State, of the department's Permanent Secretary and the agency's Chief Executive have clearly required careful definition in the framework document.

All this adds up to a major reform of the civil service. I have no doubt that the decision to keep agencies within government, and to abjure the creation of a host of new non-departmental bodies, was crucial to the success and acceptability of the initiative.

ACCOUNTABILITY

There are crucial differences between quangos (or non-departmental bodies) and the Next Steps agencies (which are departmental bodies); these have an important bearing on ministers' accountability. The point of devolving a function to a non-departmental body, as we have already observed, is to distance government from

the performance of that function. To achieve this effect, a council or commission or such like is set up, and powers and responsibilities are conferred upon it, normally by legislation, though in some cases by Royal Charter or by appointing a board of directors under the Companies Acts. Responsibility for performing the function then lies with the Council or Commission or whatever. Ministers have no part in the day-to-day operations of, say, the Health and Safety Commission and Executive or the Civil Aviation Authority. The government can of course have an important effect on the work of bodies such as the Arts Council and the Research Councils through the amount of public money made available, but responsibility for the way the money is spent lies with the councils.

None of this applies to executive agencies. No non-departmental body with powers and responsibilities of its own is created. In the absence of fresh legislation, so it seems to me, ministers cannot abrogate responsibilities placed upon them by existing legislation. What they can do is delegate authority for operations, but without surrendering ultimate responsibility for them, and that is what is involved in the Next Steps agencies.

Queries have sometimes been raised about the precise status of these agencies. Take, for instance, the following extract from a publication called *What Next?* and subtitled *Agencies, Departments and the Civil Service* published by the Institute for Public Policy Research –

> What is an Agency? Is it anything other than a word in the dictionary? It is easier to say what it is not than to say definitively what it is: it is not a government department and headed by a Minister; nor is it entirely outside a department headed by someone else.

I do not myself find any such difficulty. Agencies are not something separate from departments; they are a way of organizing departments. An agency *is* headed by a minister just as much as a pre-agency department ever was. Though the Whitehall literature tends to refer to them, a little misleadingly, as 'free-standing agencies', the framework document of the Social Security Benefits Agency, as an example, states clearly that 'the Agency works within the DSS as a whole...' It also states that 'The Agency acts on behalf of the Secretary of State...' and that 'Ministers remain accountable to Parliament for the full range of their responsibilities...'.

The term 'free-standing' does apply more accurately to HMSO, which has always been one of the Chancellor of the Exchequer's departments, but separate from his other departments – the Treasury, Inland Revenue and Customs and Excise. Already a Trading Fund, its transition to agency status appears to require relatively little adjustment. Its framework document states that 'HMSO is a separate Government department...The responsible Minister for HMSO is the Chancellor of the Exchequer...Ministerial and departmental accountability to Parliament for HMSO's activities will remain as at present...'. Overlordship of HMSO has now been transferred from the Treasury to the Office for Public Service and Science, but otherwise the position of HMSO is unaffected.

I have no doubt that this stress on continued accountability has been important

in securing the favourable reception given to the initiative by the Select Committee on the Treasury and the Civil Service. I would guess that members of Parliament are quite happy to see a shake-up in cosy civil service régimes (as they sometimes tend to regard them) provided that their own locus is not affected.

An article on the Next Steps Initiative in the Spring 1992 issue of *Public Administration* concluded that 'the uniformity of the prevailing image of the civil service is likely to change. In addition the agencies' ethos are (*sic*) likely to become increasingly diverse.' I do not disagree with this, though the introduction of different grades and rates of pay for different agencies, to suit their particular needs, seems to be only in its early stages so far. But the article goes on to conclude that 'the framework documents provide a number of indicators that parliamentary account-ability may not be fully upheld. . . .Flexibility can therefore only progress if the watch-dogs are called off or marginalised.' I am afraid that I do not see anything in this. In particular, the mere fact that an agency operates as a trading fund, or that its operating costs are controlled on a net rather than a gross basis, does not and should not detract from the role of the National Audit Office, or the Public Accounts Committee or other Select Committees, as the article implies.

It would be unwise to suggest that the accountability of ministers to Parliament for their agencies can never become a problem, but there is no indication that it is one now, and there is no inherent reason why it should become one, unless legislation were passed to convert agencies into quangos.

PARLIAMENTARY QUESTIONS

Some colour was given to the notion of a problem over accountability to Parliament by a hiccup in the arrangements for dealing with Parliamentary Questions about agencies. Members of Parliament are encouraged to deal directly with the chief executives of agencies on operational matters. Where a member puts down a Parliamentary Question to a minister, if it is for oral reply the minister is obliged to answer. If it is for written reply, and concerns an operational matter, the minister will answer that he has asked the chief executive of the agency concerned to reply by letter. This has generally been satisfactory but, if the member specifically asks for a reply from the minister, he gets one.

Dissatisfaction arose, however, with the procedure for making these letters from chief executives public by placing them in the House of Commons Library and its Public Information Office. I am sure that there was nothing sinister in this, but members found this procedure less convenient and the documents less accessible than the government imagined. To overcome this difficulty, in a written Answer on 27 November 1991 the Lord President of the Council proposed that the replies from chief executives should be published, but in a separate form which remained, at that time, to be determined. It seems to me a useful advance that there is now a recognized procedure for Members of Parliament to take up particular cases without adding to the incredible amount of paper which floods into ministerial offices, but in the knowledge that they can, if necessary, engage the minister's interest.

WHAT HAS CHANGED?

In some other respects the changes stemming from executive agencies are profound, most obviously in the matter of management structures, best illustrated in the Department of Social Security, where the Benefits Agency is only one of four agencies (with a fifth and a sixth in the pipeline at the time when this article was written) to which authority for the conduct of operations has been delegated. The Permanent Secretary to the department is no longer concerned with the direction of current operations but with the strategic management of the Department and with future developments. The Permanent Secretary is the Accounting Officer for the allocation of resources to the agencies, but the chief executives are Accounting Officers for the use of those resources.

This dual accounting officer arrangement is one which, in the 1980 report on quangos, I endorsed in relation to non-departmental bodies. It seems sensible to me in relation to these departmental bodies also. It struck me as a great nonsense in the past that Permanent Secretaries, in their capacity as Accounting Officers, had to burn the midnight oil swotting up the details of individual cases in which they had no previous involvement, and which may well have occurred under a previous Permanent Secretary, on the eve of an appearance before the Public Accounts Committee. Chief executives are likely to be better placed to answer for individual cases.

At the same time, there are potential difficulties in the relationships between Permanent Secretaries and Chief Executives, especially if they are strong personalities. A clear definition of respective functions in framework documents should help to limit the problem, but there is nevertheless an inherent degree of overlap which could cause trouble, though I understand that practical difficulties have so far been few.

Change may not yet be so apparent at every level. 'Many employees in local offices of the Benefits Agency are mystified by change to agency status', wrote the authors of *What Next?* But that was in the agency's early days; by now the Benefits Agency has been making changes, though no doubt some aspects of life may not seem too different in a benefits office, coping with society's unfortunates and sometimes assailed with physical violence. The government claims that across the board there has been a general improvement in agencies. The majority, though not all, of efficiency targets have been achieved or bettered, in some cases triggering the payment of personal and group performance bonuses – another innovation.

The Department of Social Security claim that the agencies are beginning to provide a better service to customers. They cite the case of some of their London offices which only recently were taking up to 10 days to pay claims for income support with an accuracy rate of only 69 per cent. 'Now, with the help of a massive IT programme, which will represent an investment of some £2bn. over 15 years, such claims are being processed on average in five days with an accuracy rate of over 93 per cent.' There have been reports of what sounds like an old-fashioned management misadventure in the recent introduction of changes in certain disability benefits, but this does not mean that nothing has changed – only that not everything has changed. On the whole the Department of Social Security seem to have carried out a fairly impressive programme of managerial change.

ROLE OF THE TREASURY

There are many things which are problematical in the future of the agencies, not all of which can be discussed in a single article. The role of the Treasury is one which has surfaced quite prominently. The Treasury has been criticized as 'too dominated by the need to control inputs' in its dealings with the agencies, concerning itself with too much detail and with too many aspects of the work of the agencies, and inhibiting their freedom of action and spirit of enterprise.

It has always seemed to me that, given that most of the agencies are wholly or largely financed by public money, there would have to be some constraints on their freedom to spend, and there may have been excessive expectations of the extent to which they could behave like profit-making commercial organizations. The Treasury is responsible for controlling public expenditure, including the total pay bill, and for deterring inflation. Its critics may concede that it has a right to be concerned with these matters, but only with the aggregates; however, it seems to me naive to think that the Treasury could attempt to regulate total expenditure and the general rate of pay increases in a rational and informed way without concerning itself at all with the micro developments underlying these macro aggregates. How far the Treasury need involve itself in details in order to control the totals and perform its essential functions used to be a long-standing issue for discussion before the advent of executive agencies, and accommodations were reached with spending departments. Perspectives on this issue can vary according to where one sits; I can think of more than one spending minister whose perspective changed after he moved to become a Treasury minister. Clearly, the creation of agencies had added a new dimension to the debate, and I dare say that fresh accommodations will be reached.

It will be necessary for these accommodations somehow to take account of the Treasury's traditional role in monitoring not only the amount but also the 'propriety and regularity' of expenditure – concepts not always uppermost in the thoughts of the more business-minded – on which the Public Accounts Committee and the National Audit Office look to the Treasury to maintain standards.

THE CIVIL SERVICE ETHOS

Agencies carry out their own recruitment for most staff. There is still a fast stream recruited through the Recruitment Agency, but senior posts are filled by competition among both inside and outside candidates. Gradings and pay scales are beginning to vary from one agency to another. So long as the staffs of departments and agencies work for the government, they will presumably have certain terms and conditions in common; and so long as they are financed from the public purse their budgets will have to be brought together in a single public expenditure bill. But the Next Steps report argued that 'the Civil Service is too big and diverse to manage as a single entity,' and in some important aspects it is now ceasing to be managed as a single entity.

In a lecture in 1990 with the title 'New Challenges and Familiar Prescriptions', the Head of the Home Civil Service, Sir Robin Butler, urged that we should both

pursue this new approach ('a set of ideas whose time has come') and preserve familiar values – integrity, impartiality between the political parties, appointment and promotion on merit by fair and open competition rather than by patronage.

This is a consummation devoutly to be wished, but it would be surprising if increased fragmentation and increased material rewards for top appointments in agencies did not have some effect on attitudes in the civil service. In another lecture, in 1991, Robin Butler said

> I should be surprised if there were any need for conditions of service to diverge between work in the cores of the various Departments in a way which would create obstacles to movement between them. . . . Where there are, as there will be, differing pay regimes in agencies or in other parts of departments, it should not be beyond our wits to devise arrangements for people to move between them.

Taken in conjunction with his other remarks, this seems to imply the survival of at least a cadre of high calibre policy makers and others working to ministers who would still have traditional values in common.

Until recently doubts about the survival of the traditional civil service ethos may have arisen, not because of the advent of agencies, but because of thirteen years of government by a single party with an ideology inimical to the public sector; but former colleagues still in Whitehall assure me that the civil service ethos lives on. Could it survive another thirteen years of one-party government in conjunction with the further development of agencies and, possibly, the application of competitive tendering 'to the white-collar professions' and its extension 'much more widely to central government services as well', which Mr. Waldegrave is reported to favour? At the least, the concept of a civil service impartially serving a government of any political colour would become increasingly unreal if, as in Japan, there were always a government of the same colour.

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IMPROVING THE QUALITY OF OUR WATER: THE ROLE OF REGULATION BY THE NATIONAL RIVERS AUTHORITY

JOHN C. BOWMAN

INTRODUCTION

The National Rivers Authority (NRA) was formed as a result of the Water Act (1989); responsibility for the control of pollution in controlled waters of England and Wales under the Act was vested in the authority as from 1 September 1989. The NRA was created from what were, briefly, the ten 'Rivers' units of the former Regional Water Authorities of England and Wales. It therefore inherited the staff and resources of those units, but has quite new statutory powers under the Water Act. These include responsibilities for a range of matters concerning the water environment, only one of which includes that of water quality. The others relate to water resources, flood defence, salmon and freshwater fisheries, as well as some navigation, conservancy and harbour authority functions. The Water Act also places general duties on the NRA to promote conservation and enhancement of the natural beauty and amenity of inland and coastal waters, of the land associated with them, and to promote their use for recreational purposes. Furthermore it places a duty on the NRA to make arrangements for the carrying out of research activities in support of all its functions.

In 1991 five new Acts, which consolidated existing water legislation, were passed and came into force on 1 December 1991. They were the Water Industry Act (1991), the Water Resources Act (1991), the Statutory Water Companies Act (1991), the Land Drainage Act (1991) and the Water Consolidation (Consequential Provisions) Act (1991). Until this consolidation legislation was passed, water law was spread over 20 main Acts and a large number of other statutes dating back to the 1930s. Consolidation has not lead to any substantial amendments to the earlier legislation.

The legislation pertaining to the NRA and relating to water quality and quantity is now to be found in the Water Resources Act. These new Acts did not lead to any changes in the responsibilities and duties of the NRA.

John C. Bowman is Managing Director of Halliburton NUS Environmental Limited.

Regulation is but one of several duties placed on the NRA to enable it to fulfil its responsibilities for water quality. Clearly the duties to be an open organization by conducting much of its committee business in public and to make available on public registers details of discharge consents and of water quality monitoring provide additional means for bringing pressure to bear on waste dischargers to stay within the law and to reduce their discharges. The NRA has also developed its public relations activities so that society, generally, is well aware of the measures being taken to ensure that regulation is observed and of the sanctions delivered to those who do not comply. The power of well-informed public persuasion to influence the habits of water dischargers and others who use water for whatever ◀ purpose must not be underrated.

The NRA is not alone in having regulatory powers to influence the quality of water. Her Majesty's Inspectorate of Pollution (HMIP) has powers under several pieces of legislation, but principally the Environmental Protection Act (1990) to control discharges from industrial processes to controlled waters.

The Office of Water Services (OFWAT) was established at the same time and under the same legislation as the NRA, and was given responsibility for the economic regulation of the water supply and sewage treatment companies. Environmental and economic regulation are interlinked in several ways and it will be necessary for the two regulators to have regular communication to ensure that the legislation is applied in a way that is satisfactory to the public as customer, shareholder and environmentalist as well as to the industry which has to supply water and treat sewage. This will prove very difficult to achieve and there will be much vigorous debate in the process. One of the main issues for debate between these two regulators relates to the rate and cost of improving the quality of controlled waters. The NRA is charged with improving water quality and there is much public pressure for environmental improvement. Clearly the NRA has to have regard to the cost of improvements and the willingness of industry and the public to pay when determining the rate of improvement which it sets out to achieve. OFWAT is also interested in the cost of environmental improvement and the effect that this will have on water and sewerage charges to industry and to domestic customers as well as to the water supply and sewerage companies. The views on these matters by the NRA and the OFWAT may not coincide and it may well require the intervention of the Secretary of State for the Environment to determine the rate of improvement of water quality and the consequent cost increase to customers. Such intervention is to be avoided if at all possible and some means of making clear the cost of improvements, to those who have to pay, is desirable but not easy.

STATUTORY DUTIES AND POWERS WITH REGARD TO WATER QUALITY

Under the Water Resources Act (1991) the NRA has statutory duties and responsibilities relating to the environmental quality of the aquatic environment which are both general and specific. Under section 16 of the Act, which is concerned with environmental and recreational duties of 'relevant bodies' in general, a duty is imposed on the NRA to conserve and enhance the natural beauty and amenity

of inland and coastal waters, and of land associated with them. The NRA, under section 84 of the Act, is also specifically responsible for water quality in all controlled waters. Such waters include groundwaters, fresh waters, estuaries, and 'relevant' territorial waters – essentially those which extend seaward for a distance of three nautical miles from specific baselines. The responsibilities include the determination and issuing of consents for discharges into controlled waters, the monitoring of the extent of pollution in such waters, plus the achievement of water quality objectives (WQOs).

The NRA also has responsibilities to maintain much of its information such as maps, consents to discharge and water quality data in a form which is available for public inspection. To achieve its responsibilities the NRA has important powers. These include powers to prosecute those who do not observe discharge consent conditions, as well as those who cause pollution of water including injury to fish. The NRA may, if it considers necessary, take direct action to prevent and remedy pollution and recover its costs where it can identify those responsible for the pollution. Generally it has powers to recover its costs by charging for its services.

To date improvements in water quality have been achieved by reference to quality objectives which have no statutory basis. As a result of the Water Resources Act (1991) the NRA is required to advise the Secretary of State for the Environment on the Water Quality Objectives (WQOs) which he should set as Statutory Objectives. These objectives will be related to Water Quality Standards (WQSs) which the NRA is also required to develop. The standards will be set in terms of the purposes for which the water will be used such as for abstraction for drinking water, for bathing, for water sports and for angling. They will be set in terms of relevant EC Directives, and in terms of chemical and biological parameters. The Statutory Objectives will stipulate the standards which have to be achieved over a set period of time for specific bodies of water. The NRA have been invited by government to produce advice on Water Quality Standards and on the means for determining Statutory Water Quality Objectives (SWQOs) and to consult publicly before giving firm advice to government.

The NRA has inherited responsibility for certain European Community (EC) Directives from the former water authorities under the transitional provisions of schedule 13 of the Water Resources Act, and in the form of Statutory Instruments (SIs). These directives relate to a wide range of water quality issues. The NRA also has a role to play in relation to waste disposal on land, and is a statutory consultee in relation to planning, licensing and use of land for waste disposal.

It is important to note that the NRA is not directly responsible for the quality of drinking water, nor for matters relating to public health. There is a separate regulator for drinking water, the Drinking Water Inspectorate which was established under the Water Act (1989) within the Department of the Environment. Public health is the responsibility of the Department of Health and of local authorities.

THE IMPACT OF WATER QUANTITY ON WATER QUALITY

In many cases there is a close relationship between the quality of water and the quantity. Discharges of effluent will be diluted to varying extent depending on the

volume and flow of the receiving water. Where discharges are small in volume and in the quantity of polluting matter which they carry in relation to the volume and flow of the receiving water then the quality of the receiving may not be downgraded to a significant extent. However where the discharge volume and the level of polluting matter is high in relation to the receiving water then the receiving water quality may deteriorate significantly. Thus the NRA's ability to maintain and improve water quality is dependant not only on its ability to control discharges but also on its ability to control water quantity.

The NRA has powers in the WRA which enable it to control through licences the amount of water which abstractors may take from controlled waters, (section 24, WRA). However the NRA's powers are limited to the extent that if the NRA wishes to reduce the amount of an abstraction licence they have to gain the abstractor's agreement and will usually be required to pay compensation.

As a consequence of the abstraction licences which it has inherited the NRA has several situations where the total volume of licensed abstraction is excessive in relation to satisfactory water quality and even in some cases exceeds the total volume of water normally found in the river. The NRA is looking at means of alleviating these problems which no doubt will require substantial sums for the compensation payments.

THE NRA'S TASK WITH REGARD TO FRESHWATER QUALITY

The NRA has a number of inter-related tasks to accomplish over the next few years in relation to water quality. These are essentially to:

(i) assess the current status of controlled waters;
(ii) assist the DOE in the production of a classification scheme for controlled waters and in the derivation of WQSs and WQOs;
(iii) review, and where necessary revise, consents for discharge to ensure that the WQOs are met.

It is more useful to discuss these tasks in a slightly different order, however, because the purpose of the River Quality Survey which the NRA carried out in 1990 in relation to (i) above was in part to implement the requirements relating to the classification of controlled waters and the need to derive SWQOs.

CLASSIFICATION SCHEMES

River quality in the past has been assessed using a classification scheme devised by the former National Water Council (NWC) in 1978. This classification scheme was based on some specific parameters and took into account the current potential uses of the water. A more loosely defined set of categories was used to define the quality of estuaries. This NWC system had no statutory basis, and did not relate directly to EC Directives. The WRA, however, enables the secretary of state to develop a statutory classification scheme for all controlled waters.

The NRA have set out their proposals for a classification scheme (National Rivers Authority 1991). They sought public comment on the proposals by the 10 March 1992. The document makes proposals for a classification scheme for controlled

waters and for the means by which it would be used for the setting of WQOs.

The main elements of the proposed classification scheme are in three parts. The first is a set of use categories with appropriate standards covering such activities as basic amenity, various forms of fishery, water contact activity, and abstraction for several different purposes with different standards. The second part covers EC Directives including those on dangerous substances, abstraction for potable water supply, quality of fresh water for fish life, bathing water quality and quality required for shellfish waters. The third part is a new general classification scheme incorporating key chemical parameters and a biological measurement, based on the extent to which a macroinvertebrate community of the watercourse falls short of what would be expected in a 'clean', or unpolluted system.

It is proposed that the use categories and EC Directives would be used for regulatory purposes whereas the general classification would be used for the five yearly surveys of overall water quality and for determining overall targets and priorities.

WATER QUALITY OBJECTIVES

The Water Act also allows the secretary of state to determine WQOs for controlled waters, specifying one or more of the classifications defined under the Act, plus a date by which the waters must satisfy that WQO. SWQOs are unlikely to be set for all controlled waters at the same time and are more likely to be phased in over years starting in late 1992 at the earliest. Once set, it will be a duty on both the secretary of state and the NRA to ensure, so far as is practicable, that the WQOs are achieved at all times. Each WQO may be reviewed by the secretary of state at five year intervals or if the NRA, after consultation with water undertakers and others, requests a review. In this respect, however, the NRA already inherits responsibilities for implementing existing EC Directives relating to water and these are themselves essentially a form of WQO incorporating, in some instances, a classification scheme.

RIVER QUALITY SURVEYS

As a preliminary step to setting SWQOs not earlier than late 1992 the NRA considered it essential to conduct a review of the current state of water quality in England and Wales, the most recent study prior to the existence of the NRA having been conducted in 1985. The NRA therefore embarked on a two-part review of river and estuarine quality. The first part was a survey designed to replicate, as closely as possible, the 1980 and 1985 surveys. It has long been recognized, however, that these previous surveys suffered from differences in approach adopted by the then ten Regional Water Authorities, and that they gave insufficient attention to biological criteria. Thus the second part of the NRA review was an overlapping survey based on a standard set of procedures, plus a biological survey. The results of the 1990 survey comparable to those of 1980 and 1985 have been published (National Rivers Authority 1991b). In summary the report showed that about 90 per cent of rivers, canals and estuaries were either of good or fair quality and 2 per cent, 1 per cent, and 3 per cent respectively were of bad quality. Compared to 1985,

15 per cent of total river length was downgraded and 11 per cent upgraded. The comparable figures for canals were 15 per cent and 7 per cent, and for estuaries 3 per cent and 1 per cent respectively.

DISCHARGE CONSENTS

Another important task for the NRA is to review and, where necessary, revise consents for discharges so as to ensure that WQOs are met. Indeed the necessity to review both the basis for consent setting, and of compliance with consents, had been widely recognized during the passage of the Water Bill through Parliament. A policy group was thus set up immediately after the NRA's formation in 1989, at the request of the secretary of state; it was chaired by Mr D. Kinnersley, a NRA board member. The group published a report of its conclusions (National Rivers Authority 1990). The report emphasized that consents for discharges to inland and coastal waters have to serve at least two key purposes. These are as law enforcement instruments, setting obligations on the discharger and as technical specifications of limits and conditions within which the discharge must stay to avoid harm to the receiving waters. Compliance relating to discharges with these requirements has been unsatisfactory for a long time and piecemeal changes to the consent system in the last ten years have added to the anomalies and scope for confusion. The main changes recommended in the report included:

(a) that all environmentally sensitive discharges with numeric limits set for effluent flow and concentration of determinands should include absolute limits not open to be exceeded at any time. Further limits in 80 and 50 percentile form can then be added to refine requirements which routine performance must stay within. This would put controls for discharges from industry and from sewage works on the same footing and make the assessment of compliance or non-compliance more clear-cut.

(b) that in the selection of determinands for numeric limitation, more emphasis should be placed on restricting ammonia, and preparations should be made over several years to substitute Total Organic Carbon (TOC) for Biochemical Oxygen Demand (BOD) and Turbidity for Suspended Solids as conventional sanitary determinands in many consents.

(c) the promotion by the NRA of more use of automatic and continuous monitoring by dischargers.

A broader purpose of many recommendations in the report was to engage dischargers in the provision of full and accurate initial information to the NRA about discharges and to update this when the circumstances changed. In the autum of 1991 the NRA published a note (National Rivers Authority 1991c) setting out its response to the public consultation on the Kinnersley report.

The report had been generally welcomed. In coming to a view of what to do about the recommendations of the report and the comments received on it in the public consultation the NRA had to take account of several developments which had occurred since the Kinnersley Group had begun work. These included the intention of the Secretary of State for the Environment to set SWQOs as soon as possible,

the establishment of a new role for HMIP as a result of the Environment Protection Act 1990, and the introduction of the EC Directive on Urban Waste Water Treatment (European Communities 1991).

The NRA indicated that they intended to introduce the recommendations of the Kinnersley Group in various ways so as to create a system of consenting discharges to controlled waters in a clear and effective manner and so as to lead to a continuing improvement in the quality of those waters. There is no doubt that the implementation of the Kinnersley recommendations will strengthen the NRA's ability to control water quality.

NRA INHERITANCE OF DISCHARGE CONSENTS

Because the NRA inherited such a variety of consents it may be useful to review, briefly, this inheritance, particularly with regard to the discharge of sewage. Consenting of sewage discharges to non-tidal waters began with the Rivers (Prevention of Pollution) Act 1951. In 1960, the Clean Rivers (Estuaries and Tidal Waters) Act extended the powers of the then River Boards to deal with new or altered outlets and new discharges of trade and sewage effluent into tidal waters and parts of the sea within certain defined areas. This was followed by the Rivers (Prevention of Pollution) Act 1961 which extended the powers of River Boards to bring pre-1951 discharges under control by the 'consent' procedure. The Water Resources Act of 1963 reorganized the 32 River Boards into 27 River Authorities which, in turn, were incorporated within the 10 new, all-purpose, Regional Water Authorities as a result of the 1973 Water Act, and which absorbed the powers of the previous organizations with respect to the control of discharges. Concurrent with the Water Act 1973, the Control of Pollution Act (COPA) of 1974 was also being prepared.

Part 2 of COPA was specifically concerned with water pollution, and it contained significant changes from previous legislation. The main body of COPA Part 2 was not implemented, however, until January 1985 and the provisions of the Rivers (Prevention of Pollution) Acts 1951 and 1961 continued to apply until then. During the late 1970s and early 1980s many existing consent conditions were 'rationalized' to reflect current performance of sewage treatment works; this was carried out under a procedure agreed between the National Water Council and the DOE, and included public consultation. On implementation of COPA Part 2, outstanding applications for discharge consents made under the 1951 and 1961 Acts were given 'deemed' status pending determination of conditions under the terms of COPA.

Finally, in the run up to the Water Act 1989, a further set of discharges requiring consent emerged. These discharges have either been consented by the DOE under interim arrangements or have been given temporary consents by the NRA under the direction of the secretary of state. They include 'time-limited' consents, which embody a temporal limit for the introduction of capital or other improvement works, and are being dealt with by the DOE under schedule 13 of the Water Resources Act. Included are a number of previously unconsented discharges which have also come to light. These consist mainly of stormwater overflows from sewage channels, emergency overflows from sewage pumping stations, water treatment

work discharges, plus sundry others – all of which the NRA has been directed to deem, pending subsequent review by the NRA. A further complication is that consents for all sewage treatment works have been made either on a numeric or a descriptive basis, the latter being primarily those which serve small populations.

The NRA recognizes many of the inadequacies of the current state of the sewage treatment discharges to controlled waters, particularly in relation to the inputs from unscreened storm-water overflows, the lack of separation of foul sewers from storm-water drainage systems, the complexities due to new developments which are not connected to main sewers, and other related problems. It will clearly take some time to review fully the complete inheritance of consents and to place them on a sounder footing. In doing so, account will have to be taken of WQOs, the capital works programme already in hand, the results of the consents and compliance working group set up to examine consenting procedures, and the resources available to the NRA. Clearly priority will have to be given to those areas where such discharges are a prime cause of poor water quality, relative to other causes which can be corrected in the short term. The NRA's approach to such problems will be addressed via a system of 'catchment planning', in which all factors pertaining to a water catchment area are considered collectively. Priorities and SWQOs are then set to ensure that the quality of the waters is maintained and – where necessary – improved, taking into account water and land usage, water abstraction, and discharges of both sewage and industrial wastes.

INDUSTRIAL DISCHARGES AND INTEGRATED POLLUTION CONTROL

Discharges of industrial waste also have a chequered history in terms of the basis of their consents. The NRA's role in the consent setting of industrial waste, however was substantially altered by the Environmental Protection Act 1990. The responsibility for providing authorizations to discharge industrial wastes is being progressively passed to Her Majesty's Inspectorate of Pollution (HMIP) although in the case of discharges to water HMIP are required to consult the NRA and may not set any lesser standard on the discharge than that required by the NRA. For monitoring, HMIP have a need to monitor the compliance against the authorizations they have issued but so have the NRA for those discharges which go to controlled waters. The situation created by the legislation is so complicated that after long discussions HMIP and the NRA have agreed a Memorandum of Understanding as to how they will operate the legislation between them without causing unnecessary duplication of effort to themselves or of causing unnecessary work by the dischargers. There is little doubt that the legislation could have been far more effectively drafted and that the problems created by the legislation were drawn to the attention of government at the time.

The NRA's powers under the Water Act were not affected by the Environmental Protection Act 1990, except in respect of industrial discharge consents or authorizations as they are now called.

ENFORCEMENT

The NRA as a result of its status as a regulator, independent of the newly privatized

Water plcs, and as a non-departmental public body at arms length from government, has been able to enforce the regulations on water quality and water quantity for which it is responsible to a far greater extent than was possible by the predecessor water authorities who were responsible for enforcing somewhat similar regulations. The water authorities had to enforce the regulations not only on other abstractors and dischargers but also on themselves. Such an arrangement proved far from satisfactory since the water authorities had to act as both poacher and gamekeeper. For a variety of reasons the regulations were not enforced as effectively as desirable and very few prosecutions for not complying with the regulations were taken.

The NRA has been able to make clear to all concerned that if there is any disregard for compliance with regulations then prosecution will follow. The NRA has been as good as its word and the number of prosecutions for pollution offences and for overabstractions has increased markedly. These prosecutions have been a lesson to those who have disregarded regulations but have also been a warning to all abstractors and dischargers that the NRA will not hesitate to carry out its responsibilities and duties and will use its powers of prosecution without fear or favour.

It might be expected that the number of prosecutions will continue to rise for some time until those regulated realize that they will not be able to ignore the regulations without suffering prosecution. Thereafter the prosecutions may decline.

There is strong evidence that the NRA's approach to prosecution and enforcement has gained respect for it from the public generally and that those regulated believe that the NRA is being even-handed. Unless such a situation can be achieved by a regulator it will not be successful and the law will be disregarded.

CHARGING POLICY

Under the Water Act 1989, section 145, the NRA is entitled to make charges for consents to discharge. The extent of the charges extends only to recovery of costs incurred in setting the consents and ensuring their compliance through monitoring. Charges relating to the environmental effect of the discharges are not allowed.

These charges will clearly provide some incentive to dischargers to examine their need to discharge and the way in which they discharge.

The NRA has started to consider the desirability of being allowed to make charges larger than cost recovery and including the likely effects of the discharge on the receiving water environment. Such charging practices in other countries seem to have proved environmentally beneficial in persuading dischargers to change their ways and to provide a source of money to assist dischargers to invest in new equipment and processes with less environmentally harmful effluents. The ability of the NRA to make such charges would depend on new legislation and the detail of such a scheme would need further careful consideration, particularly in respect of the retention of the income by the NRA and its application to environmental improvement schemes.

In July 1991 the NRA introduced a charging scheme for discharges which was designed to recover the costs of issuing consents to discharge, and of monitoring compliance with discharge consents. Such charges did not cover more than about

half the costs incurred by the NRA in its work in relation to water quality. Much of the water quality work especially that relating to monitoring the general quality of waters and reporting the results to government is a requirement placed on the NRA by the legislation and is a legitimate charge to government. The correct basis for funding such work is through the grant-in-aid to the NRA. The problem which arises is that the government's estimate of the cost of carrying out such work is not always comparable to the cost in practice. The grant-in-aid may well be inadequate to cover all the activities for which it is intended.

For water quantity the NRA is required to make charges which over the years lead to cost recovery and a balanced account. The charges levied will also need to cover the cost of remedying the adverse effects of excessive abstraction licences of the past and of remedying low flow river problems. These costs will be substantial The costs will also have to include at least some contribution to the costs of developing the water infrastructure so that water can be moved from areas of surplus to areas of shortage. However, a major part of these infrastructure costs will be recovered in the charges for water and in the infrastructure charges to developers which are now to be paid in advance of development, rather than later as in the past.

CONCLUSION

Regulation as a means of improving our water quality encompasses several important elements, each of which needs careful attention to detail in planning and robust application. The main elements are:

(i) An ability to licence abstractions to control water quantity and flow rate.
(ii) An ability to control, through a consenting scheme, the discharge of effluents to water.
(iii) Clear licence and consent conditions which are understood in the same terms by abstractors, dischargers and regulators and allow clear determination of compliance.
(iv) A fair charging scheme for services rendered by the regulator.
(v) A fair, determined and clear prosecution policy by the regulator to ensure that those who breach licences and consents will be prosecuted.
(vi) A public awareness of the above practices in principle and in detail.

Starting from the practices inherited from the former water authorities and taking account of recent legislation the NRA established a regimen on all six elements above. In doing so it appears to have strong public and parliamentary support. Whether the public will continue their support as the cost of achieving the water quality the public are demanding becomes clear to them remains to be seen. We should not prejudge their reaction but give them a proper opportunity to make their views known.

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ANTI-DRUG SMUGGLING OPERATIONAL RESEARCH IN HM CUSTOMS AND EXCISE

J. A. CLARK AND C. J. SANCTUARY

1. INTRODUCTION

The last decade has seen the widespread development and application in the public services of methods to measure and improve the level of effectiveness and financial accountability. This article discussed such developments by the Operational Research (OR) group in HM Customs and Excise in the area of drugs enforcement, which represents one of the top operational priorities of the department. The article is intended to communicate some of the difficulties and successes in this problematic area.

The structure of the article is as follows. After a brief description of the department's anti-smuggling resources and operations, Section 3 introduces the key concepts in performance measurement. Section 4 describes the work behind our conclusion that the interception rate is not feasible as an accountable measure of performance. The practical innovations we have made in performance measurement are then outlined in Section 5, in particular the indicator of drugs prevented from entering the UK. Operational research to assist in performance improvement through the internal management of resources is described in Section 6 while Section 7 looks at indicators and cost-effectiveness in the investigation and intelligence functions. The final section summarizes the benefits of this work and priorities for future development.

2. ANTI-SMUGGLING RESOURCES AND OPERATIONS

Customs and Excise has some 3,200 anti-smuggling staff working at ports and airports in the UK, involved in the control of passengers and of transport (including pleasure craft, aircraft, commercial vehicles and containers). In addition, it employs some 600 investigators and a similar number of intelligence staff whose primary duties lie in the drugs field.

C. J. Sanctuary is Head of Operational Research Group, Management and Consultancy Services, HM Customs and Excise; J. A. Clark, formerly of the Operational Research Group is now at Department of Social Security.

Increasing emphasis is being placed on appropriate *targeting* of these resources, both to ensure efficient operational practice and to minimize the inconvenience to innocent passengers and traders. This implies a 'light touch' and increased selectivity by uniformed staff, a process further encouraged by the advent of the Single European Market; it also suggests the need to increase the flow of high quality intelligence information. Flexibility and unpredictability in operation are also important attributes of anti-drugs work.

Important changes in organization and procedures have recently occurred to encourage developments in these directions. But how can any changes in efficiency and effectiveness be measured?

3. INDICATORS OF PERFORMANCE

Performance indicators are useful for two main purposes: to provide external accountability for the use of public resources, and to inform management of the effectiveness of staff and of procedures. The extent of use of indicators has increased greatly over the last few years across the whole public service.

In the drugs anti-smuggling area, possible indicators include quantities seized, numbers of seizures, numbers charged or convicted, length of sentence, and the proportion of illegal importations detected. A possible approach to these questions is discussed in Wagstaff and Maynard (1988).

All but the last of these are easy to measure, but in isolation provide only a partial acocunt of the department's results. We have looked for a composite indicator, derived as far as possible from the basic consideration that the purpose of the department's anti-drugs work is to contain the flow of illegal drugs importations into the UK (through a complex of operations including, beside seizures, tracing of trafficking organizations, investigation, prosecution, conviction and confiscation).

There are three distinct ways in which this flow is restricted. First and most directly, by a *seizure*; a quantity of drugs is removed and destroyed. Secondly, *prevention*; traffickers are arrested and thereby forcibly prevented from continuing with their activities, so that (to some degree) future importations are lower than they would otherwise be. Thirdly, *deterrence*; both seizures and arrests are likely to deter to some extent other potential traffickers from attempting to bring drugs into the country.

This indicates the limitation of quantities seized as an indicator. While increased seizures are often seen as evidence for increased effectiveness, it could in some circumstances be argued that they merely reflect higher importation levels. These in turn might indicate that preventive and deterrent effects are declining, and that departmental efficiency is lower overall.

The OR group of Customs and Excise has examined three possible ways of going beyond quantities seized as a performance measure:

(i) by estimating the overall levels of drugs importations, and hence the proportion of attempted importations that are detected and seized;
(ii) by measuring preventive and deterrent effects;
(iii) by monitoring indicators of consumption.

The next section outlines our work on the first of these and explains the (negative) conclusion we have reached as to its feasibility as a performance measure.

4. MEASUREMENT OF IMPORTANT LEVELS

There are two approaches to estimating the quantities of illegal drugs evading departmental controls:

(a) a *demand-side* approach, using available indicators of drug usage in the UK;
(b) a *supply-side* approach, based on departmental seizure levels and estimates of the efficiency of anti-drug operations.

Demand side
The demand-side method depends on estimates of numbers of users and levels of consumption by 'typical' users. These estimates are easier to make for some drug types than for others.

A major source of information in this kind of analysis is the Addict Notification Index; doctors coming into contact with patients whom they consider to be addicted to any of the 14 drugs to which the notification regulations apply, including cocaine, heroin and morphine, are required to notify the Home Office of the individual and the principal drug or drugs of addiction. The most useful information provided by the index relates to heroin, although even here some of the information required to estimate consumption – such as the ratio of notified addicts to the total user population – is very uncertain. One such calculation procedure is described in Wagstaff and Maynard (1988).

Data problems are considerably greater if an attempt is made to estimate cocaine consumption from the index, and it gives no information on cannabis use.

Our conclusion is that more evidence, with fewer major uncertainties, is needed before operationally useful demand-side (consumption-based) estimates of drugs importation levels can be compiled. As a result, we have experimented with a pilot 'supply-side' approach, involving measurement exercises in Customs anti-smuggling operations.

Supply side
This approach is based on the quantities of drugs seized by the department, and an assessment of the efficiency of its procedures of selection and examination. For example, if 10 per cent of items of freight were to be selected at random and subject to comprehensive and fully effective examination, it would be reasonable to conclude that the department's anti-smuggling staff were detecting about 10 per cent of attempted importations. In practice, we cannot take the 'raw' examination rate as indicative of the likely rate of interception of illegal drugs, because:

(a) examinations are not random but 'targeted' towards consignments thought to carry higher risk.
(b) examinations cannot always be 100 per cent effective; there is a chance that drugs are present but remain undetected after examination.

The effect of (a) is to raise the interception rate above the examination rate, while (b) acts in the opposite direction.

The application of this approach has involved us in carrying out a number of exercises at UK ports of entry to measure examination rates in freight, supplemented by subjective estimates by experienced operational staff of the effects of (a) and (b). More specifically, they were asked to judge:

(i) how much better than random they considered their selections to be ('quality of targeting') and
(ii) the probability that drugs would be detected if they were indeed present ('quality of search').

A similar procedure was carried out for air passengers, with exercises to measure challenge rates by origin of flight. For each origin, the interception rate (i.e. the proportion seized) by anti-smuggling staff can then be estimated by multiplying the challenge rate by factors (i) and (ii) above, as for freight. Other methods of smuggling considered were post (where a similar procedure was again followed) and small boats, where estimates were made more informally on the basis of seizures and intelligence reports. Having estimated the interception rate for the various traffic types, the quantities seized from each by anti-smuggling staff using routine procedures can be used to calculate estimates of actual importations into the UK. Taking account also of intelligence-based seizures enables an overall interception rate to be estimated.

However, we found in particular that freight seizures of class A drugs were so infrequent that it was not realistic to estimate importation levels for this category. It also turned out that although people were prepared to estimate targeting and search factors, they often did not have much confidence in the figures.

Our overall conclusion about the interception rate as an accountable measure of Customs performance, from both the demand and supply side approaches, is that it is not feasible. It does not satisfy the criteria of being
— estimatable with any degree of accuracy
— forecastable as a target for achievement in the next period
and it is by definition impossible to estimate in an *absolute* sense by the clandestine nature of either consumption or importation.

However we have moved forward on two main fronts within the constraints of having no absolute measures of drug importation/consumption levels. The first, going beyond seizures as an indicator of performance, is described in the next section. The second, estimating *relative* importation risks between, for example, different smuggling methods as a guide to resource allocation and operational targeting, is described in Section 6. The latter benefits from the measurement exercises described above but does not suffer some of their estimation difficulties.

5. PREVENTION, DETERRENCE AND FEASIBLE INDICATORS OF PERFORMANCE

We noted above the three-pronged effects of anti-smuggling operations – seizures, prevention and deterrence – but also the impossibility of relating these to levels of attempted importations in an absolute sense.

In this section we describe the basis of the indicator currently in use for Customs drugs enforcement effectiveness. This embodies seizures and the effect of prevention. As an aid to interpreting movements in this indicator we consider trends in drugs market indicators. This is also outlined below as well as a short description of our estimation of the deterrent effect.

Indicator of drugs prevented from entering the UK

To measure *prevention*, an estimate is needed of the extent to which future importations are reduced by the apprehension of persons involved in trafficking. For this purpose, specialists in the department routinely estimate the level of activity of the criminals concerned (for example, monthly runs of 5 kg. heroin) in all cases subject to investigation. They also provide information on the criminals arrested, which is used to give an indication of the damage done to the organization, and hence of the time for which the market could be expected to be disrupted. For example, where only an easily replaced courier is apprehended, the preventive effect is assumed to be zero; where a smuggling organization is demolished, the preventive effect is taken as the estimated level of importations of the organization over the course of a year.

The additional annual preventive effect can vary from zero to many times the direct effect of the seizure – on average it comes out at around twice the direct effect, but can be much greater than this in some cases. The following case description is not untypical:

In late 1989, at Heathrow Airport, 1 kg. of heroin was detected in a routine suitcase examination. The courier proceeded to the concourse where he was met by a principal of the importing organization, and both were arrested. Subsequent searches of the principal's premises revealed two further suitcases with false bottoms, one of which still contained heroin. Further investigation showed that routine payments had been made by the principal to an associate in Singapore, suggesting 20 similar importations over a year. While it cannot be proved that importations would have continued at this level, or that the gap in the market created by the principals' arrests would not be quickly filled by others, the use of the level of activity of organizations taken out is argued to be a useful 'proxy' measure of prevention for inclusion in the performance indicator.

Figure 1 shows the value of drugs seized and value prevented (including seizures) from 1986-7 to 1991-2. The relationship between the two is much more stable at this aggregate level than at the individual case level. Both quantities seized and quantities prevented (by value) have increased roughly fourfold over the period.

Indicators of trends in drugs consumption

Although the absolute level of drugs importations cannot be measured with the accuracy needed for performance monitoring, it is still possible to get a useful indication of *changes* in drug availability in the UK, to provide a backdrop for the interpretation of variations in quantities of drugs seized and prevented by the department. Possible indicators available for this purpose are:

(a) numbers and quantities of police seizures
(b) numbers of police and customs arrests
(c) numbers of notified addicts
(d) market prices and available purities.

Each of these indicators is an imperfect reflection of market conditions, depending also on other factors. Data on seizures and arrests depends on policy, resourcing and efficiency, as well as the level of illegal activity. Addict notifications depend on the propensity to notify by doctors. Prices, in the short term, depend on a number of demand and supply factors; and in the long term, prices are likely to adjust to a larger or smaller market.

FIGURE 1   *Comparison of drugs seized with drugs prevented from entering the UK market*

Street value of drugs (£m)

Financial year

Drugs seized

Drugs prevented from entering UK
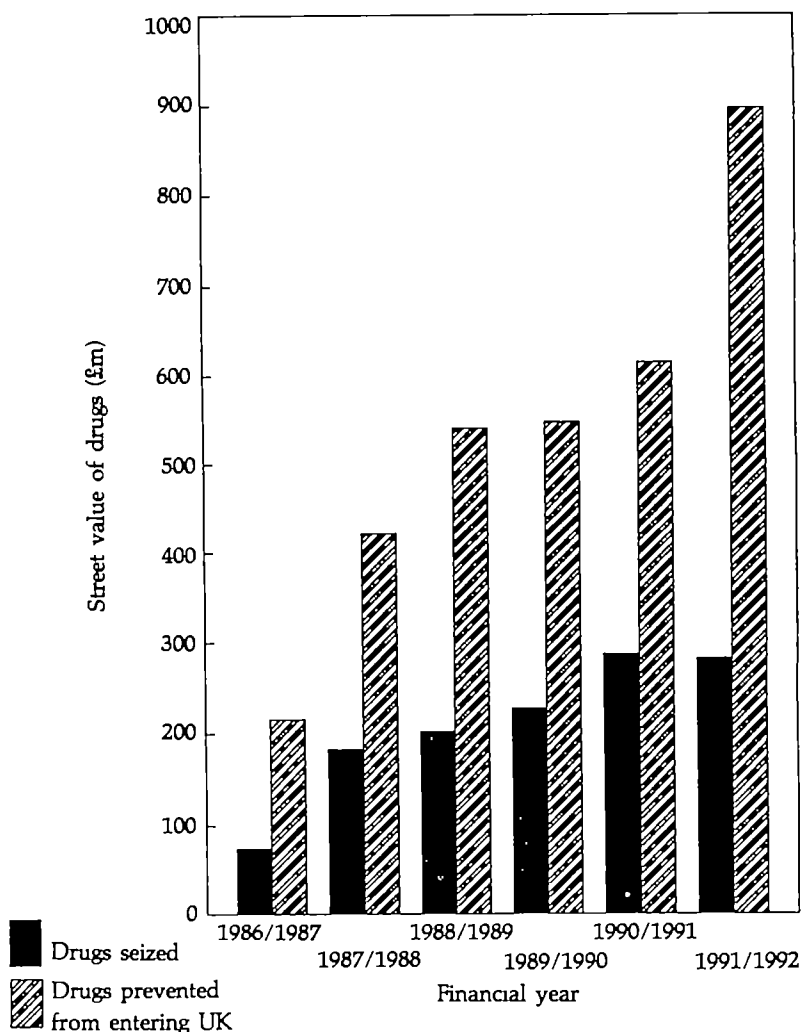
Despite these difficulties, when all the indicators suggest the same trend, such as a rise in heroin consumption in the mid-1980s or the later upward drift in cocaine consumption, it is reasonable to draw qualitative conclusions on market trends. We are in fact now routinely monitoring these indicators to provide a perspective for our departmental performance indicators. Numbers of new notified addicts, total numbers of controlled drug seizures and numbers of offenders are all up by between 40 and 60 per cent (the latter two as measured over the six years to the end of 1990, the latest available figures). The implication therefore is that demand may have increased, but by less than the increase in departmental outputs.

Estimation of the deterrent effect

Deterrence is notoriously difficult to measure for any unlawful activity. There is one feature of drug trafficking, however, which makes measurement more feasible; relatively homogeneous commodities are involved, which have associated prices. Short-run changes in drugs prices are affected by a variety of supply and demand factors, and to use them as a measure of departmental performance is hazardous. However the long-run level of prices is more obviously affected by enforcement activity (where Customs seizures are the vast majority by weight in the UK), and the effectiveness of that activity should be reflected in the extent to which it distorts what would otherwise be free markets. As an example, it is enormously expensive to hire a courier to swallow a small fraction of a kilo of a drug and fly it over in person, and this will be reflected in the price. If there were nothing to fear from Customs, a tonne could certainly be shipped more cheaply. We have looked at actual price mark-ups and compared them with those made on the nearest legal analogues. This gives an estimate of the price fall that might be expected if the department ceased to exist, or was totally ineffective.

The next step is to make use of recent US estimates of the 'elasticity of demand' for illegal drugs (the extent to which demand increases when the price falls). This allows an estimate of the increase in importations likely to result from the estimated fall in prices – or, equivalently, in the quantity that the department is keeping out by all its anti-drug activities.

This approach requires some major assumptions and is necessarily speculative. Unlike the measure of prevention, it is not considered sufficiently robust or sensitive to provide an operationally useful indicator for comparing one year's performance with another. However, it does suggest that, in relative terms, through the combination of seizures, preventive and deterrent effects (as defined in Section 3) the department may be keeping out as much again as is successfully imported.

6. RESOURCE ALLOCATION

We next describe how quantitative approaches are also contributing towards the effective deployment of the resources available to Customs.

In common with other government departments, the financial resources allocated to Customs and Excise are determined in the annual Public Expenditure Survey round. First, the heads of the executive units or divisions (principally the 21 Collections into which the department is geographically divided) submit bids to

Headquarters, who after discussion with Collections present an amalgamated departmental bid to the Treasury. Negotiations between the department and the Treasury then take place, after which the department receives an allocation equal to or less than its original bid. This is then divided between the Collections.

Historically, the need for resources has been broadly linked to the needs of 'demand-led' activities, such as routine revenue collection, which in turn are determined largely by traffic volumes. But there is increasing emphasis on risk and performance-based criteria for resource allocation across the whole department, and especially in anti-smuggling work with the priority now given to the anti-drugs effort.

With the aim of informing the resource-allocation process, the OR group have been involved in the measurement of risk (and results) at UK ports and airports. Two approaches to risk measurement have been used, the results from which are combined as described below to give the final estimates.

The approaches are:

(a) A 'subjective' assessment based on passenger or freight origins. An experienced team meets regularly to rate each foreign airport (for air passengers) and each foreign country (for freight) on a 1–10 scale according to perceived risk (10 being the highest). These ratings are circulated to all ports and airports, where up to 10 additional points are added for each origin to reflect locally specific attributes of the traffic. From the pattern of traffic they handle, local staff can then produce a profile showing the number of passengers and/or freight items in each risk band passing through their location annually.

(b) An 'objective' assessment derived from the actual history of seizures. The basic argument is that quantities of drugs seized (for example, from flights from a particular origin) depend partly on the quantities that are there to be found (risk), and partly on how intensively the search process is carried out. If a measure of the latter can be found, the effects of variations in search intensity on seizures from traffic from different origins can be separated out, to leave an underlying risk for each origin. Exercises involving the measurement of challenge rates, as described earlier, have been used for this purpose. Within a particular class of traffic (for example, air passengers) we can thereby *compare* the risk from different origins – for this we do not need the target and search factors required for absolute importation estimates, which are so hard to quantify. However, to arrive at a breakdown of the proportion of total national drugs risk through each port and airport, we do need an estimate of the relative risk posed by each class of traffic (for example, air passengers compared with sea freight). Our estimate is based on figures obtained from the earlier importation-level estimations and an analysis of the prevalence of the different smuggling methods occurring in intelligence reports.

A difficulty with (b) is that a relatively lengthy seizure record is needed to minimize the erratic nature of the statistics, and as a result recent changes in trend may not be captured. Method (a) does allow modifications to be made quickly and easily, but the difficulty is that it does not weight the risk bands – without method (b) we do not know *how much* riskier traffic in band 8 is compared with that in band 1, for example.

We are thus banding traffic as in method (a), and use method (b) to produce weighting factors for the relative risks between bands. This gives a system which

— can be made to respond quickly to changes in trend
— because of the use of broad bandings, is not seriously distorted by large one-off seizures, and
— allows risk from traffic in different bands to be added together to give a total for a port or Collection.

FIGURE 2   *Air passenger risk and challenge rates – by risk band*
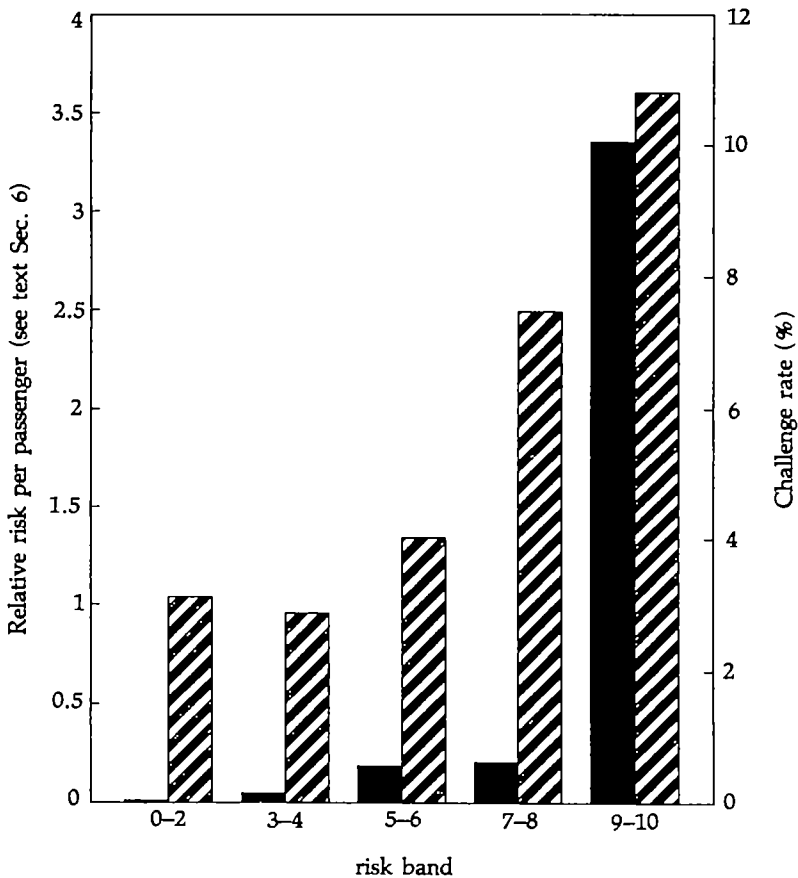
Figure 2 illustrates some results. The risk scale is relative in terms of drug value, derived from seizure and search data as explained above. It shows that the traffic in the highest risk bands is many times riskier than in lower bands. Also traffic in higher bands is subject to a significantly higher challenge rate. It is worth noting that these data are derived from exercises 1–2 years ago, since when selection relies increasingly upon advance assessment of risk.

Risk in the context of resource allocation and targeting

Having thus quantified the risk from each origin for each type of traffic, total risk figures for each UK port and airport can be produced. This provides an additional new ingredient for the process of allocating resources to different anti-smuggling functions and locations. A simplistic approach to resource allocation would be to increase resources where the ratio of seizures to resources is high. However this would be to ignore (a) the inherent costliness of some anti-smuggling work and (b) the relative deterrent effects – low seizures may be the result of high deterrent effects. The availability of relative risk information starts to pose questions about resource allocation. For example is the best broad allocation of resources in proportion to the share of estimated risk? Work continues to assist in resolving some of them.

It is important to appreciate a number of points in the context of the work on resourcing and risk. First risk is an important factor but only one of many in determining the appropriate level of resourcing. Some of these, such as the additional resource cost per seizure inherent in some traffic types, may be quantifiable, others will not. Secondly, there are determinants of relative risk which cannot be captured by quantitative models but are known to be significant for operational managers. Third, the risk information and its relation to resourcing are at a rudimentary stage in their development. Fourth, and most important, resource allocation is an ongoing process in which a number of factors are brought to bear including local and central judgement based on operational experience as well as the best available quantitative information of the kind described above for risk. Two key features in this process are that the participants converge in their agreement over the broad significance of the essential factors and their interpretation; and that actual operational results are monitored and used to influence future resource allocations.

As part of the development work described here we are seeking to work with operational managers so that the methodology and information can be improved by local input and, conversely, so that local managers may be able to exploit them for local use (for example information of the kind illustrated in figure 2).

Finally, the essence of anti-smuggling work is the quality (of targeting, unpredictability and search) which flow from local initiatives. These are of equal importance to the overall resourcing strategy.

7. INVESTIGATION AND INTELLIGENCE

The above discussion of resource allocation refers to distribution of resources between Collections or ports, or to traffic flows within ports. But the anti-drugs effort also involves various *functions*, and performance measurement and resource

allocation questions arise in relation to these. In addition to the 'preventive' activities carried out by uniformed staff, investigation and intelligence work is carried out, both in a central Investigation Division (ID) and within smaller units located in each Collection. Managers need to determine an appropriate 'mix' of these functions, and operational research work can contribute to this.

Investigation

Drugs cases investigated are of two main types: 'target' operations, where prior intelligence indicates the likelihood of smuggling activity by one or more persons, who are normally arrested in the course of the smuggling attempt; and 'referred' cases, where specific information is not available and the investigation begins following a seizure, normally made by anti-smuggling officers during routine examinations. A major objective of investigation is to progress cases to the point where the highest-level organizers in the smuggling organization are identified and apprehended. Investigation work thus contributes both to seizure quantities and, by the arrest and detention of members of smuggling organizations, to the additional preventive (and deterrent) effects.

To enable managers to monitor the quality and quantity of work being under-taken, the OR group has contributed to the development of a system of 'case indicators'. The quality of each investigation is measured according to two main criteria: the extent of smuggling activity of the organization involved, and the damage done to it by the investigation. Measures of these two factors are combined to produce a single case indicator on a declining 1–7 scale. One feature is that however large the quantities of drugs involved, the indicator cannot exceed a relatively low value if only drugs couriers are arrested; this is unlikely to disrupt the organization greatly, and hence preventive effects will be relatively small. This case indicator system is used to set annual performance targets for investigation work, particular emphasis being placed on the number of 'quality' cases (with indicator 1 or 2), where large quantities of drugs are involved and the organizations responsible are effectively demolished.

As with other types of work, there is no absolute measure of the value of drugs investigation work. We can, however, carry out cost/benefit comparisons of the investigative effort with anti-drugs work overall. These suggest that investigation is a highly cost-effective part of the department's activities in the drugs field. At the same time, it should be pointed out that much investigation work is based on information provided by other parts of the department; co-operation between investigators and other anti-smuggling staff makes a very important contribution to overall results.

Intelligence

Performance measurement is rather more difficult in this area, since the 'output' is intermediate rather than final: intelligence officers normally pass the informa-tion they have collected and enhanced to operational staff for action. Whether the case is ultimately successful is thus partly dependent on others. It is also sometimes difficult to judge the extent to which prior information was responsible

for the success of a case – it is not always easy to categorize those that are 'intelligence-based'.

However, these problems can be overstated; it is generally possible to identify cases whose success is dependent on intelligence. And indicators based on final results dependent on intelligence work are the best justification of the intelligence effort. If intelligence work does not contribute to seizures or arrests then it is of no value to the department.

The inputs to intelligence are also difficult to measure, since many officers throughout the department, not just intelligence officers, contribute. The department also relies on the general public to contribute, for example through the 'freefone'. However the major costs involved in the generation, processing and dissemination of intelligence can be identified, and they indicate an increasing proportion of the department's resources devoted to these functions.

Comparisons of the yields and costs of 'intelligence-based' and non-intelligence seizures suggest that, excluding the ID, intelligence and preventive staff have broadly similar 'productivities'. This suggests that the division of labour in the Collections is broadly correct, although there may be wide disparities within individual Collections. The ID, which handles the highest-grade intelligence, has a very cost-effective intelligence group.

8. CONCLUSION

The main areas of Customs and Excise OR work in the drugs field have been described. The measurement and monitoring of performance is central, and this has required a fundamental look at the activities of the department in the various areas – anti-smuggling, investigation, intelligence.

Progress has been made in the development of new indicators, both for the overall drugs effort and for individual functions which contribute to it. In addition to leading to a useful measure of performance, the process of developing our composite indicator, which includes both seizures and indirect preventive effects, has focused minds on the various ways by which departmental objectives are met; and in applying the indicator, operational staff are reminded of the value of activities which indirectly, but importantly, assist the anti-drugs effort. This general approach may be applicable to other areas of government activity.

The main benefits of the work so far have been in providing:

(a) fuller indicators of departmental performance;
(b) measures of risk to inform the process of resource allocation;
(c) a methodology and initial analyses of the relative contributions of various functions within the overall effort against drug smuggling;
(d) some assistance with operational targeting;
(e) a methodology for monitoring and prioritizing cases under investigation.

We expect to develop and apply further (b) and (c) in particular, while simultaneously identifying ways to enhance operational targeting.

There are of course limits to the extent that statistical analysis and modelling can improve the efficiency of the department's work. The experience and judgement

of local management are always central. But the quantitative analysis that OR work in this area can provide does, we believe, make a contribution to help managers perform their tasks more effectively.

9. ACKNOWLEDGEMENTS
Thanks are due to the many Outfield staff for their co-operation in the exercises described, to HQ managers who commented on a draft of this article, and to Operational Research colleagues who contributed ideas and helped carry out the work.

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COMPARATIVE AND INTERNATIONAL ADMINISTRATION _____

REFORM OF INTERGOVERNMENTAL RELATIONS IN AUSTRALIA: THE POLITICS OF FEDERALISM AND THE NON-POLITICS OF MANAGERIALISM

CHRISTINE FLETCHER AND CLIFF WALSH

A remarkable process of reform of intergovernmental arrangements was initiated in Australia in 1990 designed, according to its proponents, 'to improve our national efficiency and international competitiveness and to improve the delivery and quality of services governments provide'. Unlike previous 'new federalisms' in Australia (and elsewhere) the reform process on this occasion was neither totally unilateral, nor top-down in design and implementation. Rather, while reflecting the commonwealth (federal) government's frustrations at the limits imposed by the federal system on its political power and administrative capacity, the process intentionally was cooperative, incorporating all state and territory government leaders, and including representatives of local government. In the context of a review of the origins, nature and objectives of the reform initiative, this article points both to the valuable innovations embodied in its processes, and to the risks of reduced political access and citizen participation created by its attempts to apply 'single-government' managerialist principles to the redesign of intergovernmental arrangements in federal systems. Political and bureaucratic objectives, combined with a lack of adequate appreciation of federal principles, led, in our view, to an attempt to supplant participatory politics with relatively less accessible and responsive managerial structures.

In mid-1990, (then) Prime Minister, Bob Hawke, proposed, and state and territory political leaders agreed, to open the subterranean world of intergovernmental relations in Australia to scrutiny, evaluation and reform, within the framework of the existing federal constitution. The reform processes that were set in motion – centred in a series of 'Special Premiers Conferences' – arguably proposed the

Christine Fletcher is a Research Fellow in the Federalism Research Centre, and Cliff Walsh is Professor and Director of the Centre, in the Research School of Social Sciences, Australian National University, Canberra, Australia. With more than the usual emphasis on the conventional caveats concerning sole attribution of responsibility to the authors, we acknowledge Brian Galligan's influence on our thinking, and valuable discussions with many others, including with senior public sector officials.

most fundamental rethinking and restructuring of the Australian federal system by political leaders since federation in 1901. (In current Australian usage, Premiers' Conferences are meetings of the heads of the commonwealth (federal), state and territory governments.)

Between July 1990, when Prime Minister Hawke announced his review proposals, and November 1991, when the third and pivotal in the series of Special Premiers' Conferences was scheduled to be held, an unprecedented volume of intergovernmental interaction occurred at administrative and political levels, and notably so among state and territory political leaders. However, by October 1991, some key aspects of the reform process became enmeshed in the battle by former federal Treasurer, Paul Keating, to depose Prime Minister Hawke. The third conference was cancelled by state and territory leaders (although they met without the prime minister); in mid-December Paul Keating won Labor Party leadership and the prime ministership; and, as of early 1992, the future of federal reform in Australia was hanging in the balance.

Despite future uncertainties, a critical examination of the origins, nature and achievements of the Hawke new federalism initiative appears worthwhile for the lessons it can offer. It is our central purpose in this article to develop a critique of Australian federal and administrative theory which formed a background to, and to a significant extent appears to have informed, the reform exercise. In doing so, we also:

— offer an overview of the federal reform processes, and of their purposes as articulated by state and commonwealth political leaders;
— present an interpretation of the origins and nature of the processes, against the background of a brief review of economic and political pressures faced by governments in Australia; and
— explore some of the liberal values which, we believe, support the federal diffusion of power.

It is our view that some central aspects of the *processes* – especially the series of Special Premiers' Conferences encompassing leaders from all spheres of government in a process of setting priorities, establishing principles, reviewing reports and approving agreements – constitute remarkable and valuable innovations as a reference-point for the future conduct of intergovernmental relations in Australia.

However, we also believe, that there are *risks* that the implicit 'models' of the federal system, and the interpretation of 'federal principles', which shaped the reform agenda and the guidelines for preparing reform proposals, could underpin attempts to implement changes which reduce political access and participation for citizens and service beneficiaries. Governing processes, and the constitutional constraints limiting authority, are fundamental to the organization of power in a federal system.

We begin our analysis with a thumbnail sketch of Australia's federal arrangements which draws attention to its features most relevant to appreciating the character of intergovernmental relations in Australia and the pressures which led to attempts to create major reforms. We then turn to a depiction of the nature and objectives of the reform proposals, a discussion of their origins, and an assessment of the

outcomes of the first of the Special Premiers' Conference, held in October 1991. It is at this point that we then develop the main elements of our critique of the federal and administrative theory which appears to have informed the proponents and supporters of the reform exercise. Finally, we turn to examine developments in 1991 – a successful second Special Premiers' Conference in mid-1991, and the shut-down of the processes in late 1991 – against the background of our critique.

THE AUSTRALIAN FEDERAL SYSTEM: A THUMBNAIL SKETCH

The Australian constitution, which took effect from 1 January 1901, shared and divided powers between the commonwealth (i.e. federal) government and the 'original' six sovereign states, New South Wales, Victoria, Queensland, Western Australia, South Australia and Tasmania. Since then, two mainland federal territories have been established – the Northern Territory and the Australian Capital Territory – which now have self-governing status and, in most fiscal and other intergovernmental respects, receive state-like treatment. There also are over 900 local government authorities, regulated by state government legislation.

The constitution (including subsequent amendments) gives the commonwealth only a few *exclusive* powers – principally over customs and excise duties, coining of money, and initiation of constitutional referendums. It does, however, define a large number of powers which the commonwealth can exercise *concurrently* with the states, and in which its laws would prevail in the event of conflict – notably in relation to taxation, defence, foreign affairs, social welfare and pensions, postal and communication services, quarantine measures, currency, banking and insurance, matrimonial causes and copyright, patents and trademarks. The commonwealth has established substantial legislative and administrative authority around all of these, although it does not always fully 'occupy the field'.

The states retained *residual* (exclusive) legislative responsibility for most areas of law and order, education, health and hospitals, land, housing and urban development, regulation of intrastate commerce and industry, agriculture, the development of natural resources, rail and road transport, provision of water, gas and electricity, and control of local government. However, section 96 of the constitution gave the commonwealth the power to make grants of assistance to the states on terms and conditions established by the (commonwealth) parliament, providing it with a capacity to influence state policy making and administrative arrangements which it has used increasingly throughout the post-war period.

Local government receives no formal recognition in the commonwealth constitution. Rather, it is a state constitutional structure, subject to alteration at the will of state legislatures. Local government in Australia does not have any significant policy or administrative roles in education, police or health services: it has expanded its human services role in recent times and is seen as having a key role in social justice strategies, but remains primarily the supplier of local infrastructure (roads, drainage, etc.) and services to residents (garbage collection, etc.).

Taxation
Despite the fact that all taxation powers, except over duties of customs and excise,

are accessible to both the states and the commonwealth, since world war II, the commonwealth has become highly revenue dominant, currently collecting about 78 per cent of tax revenues despite its 'own purpose' outlays representing only about half of total public sector outlays. The states and local governments are responsible for the other half of public sector outlays, but raise only 22 per cent of tax revenues. Clearly, fiscal arrangements in Australia are more like those of unitary countries than those of other mature federations.

The principal reason for the commonwealth's dominance of taxation lies in the fact that it acquired a monopoly over income taxation in 1942. Ostensibly this was a temporary war-time measure, but the commonwealth retained the monopoly after the war by making its grants to the states conditional on the states not reintroducing income taxes. Although, legally, the states have the power to re-introduce income taxation (and schemes for them to do so have been proposed by them from time to time), the 'fiscal politics' of their doing so has proved an insuperable barrier.

A further factor constraining the states' own source revenues has been the High Court's wide interpretation of the commonwealth's exclusive power over 'excises', in effect preventing the states from levying any tax directly on the production and sale of *goods*. The commonwealth thus has secured predominant power over both income taxation and broadly based indirect taxes.

The states raise own-source tax revenues primarily through payroll taxes, stamp duties on financial transactions and conveyancing, taxes on motor vehicles and business franchise taxes (licence fees) on the sellers of alcohol, tobacco and petroleum products, together with a host of smaller taxes. Municipal rates are the principal domain of the local government sector.

Borrowing
Moreover, since 1927 when the commonwealth and states entered a (subsequently constitutionally entrenched) Financial Agreement, state borrowing for general government purposes has been undertaken on its behalf by the commonwealth, and subject to control as to its level and distribution through the Australian Loan Council. Borrowings by commonwealth and state statutory authorities, including local authorities, were incorporated into Loan Council control through a voluntary 'Gentlemen's Agreement' in 1936.

Although formally comprised of commonwealth *and* state representatives, a combination of weighted voting rules and the commonwealth's relative financial strength has resulted in the Loan Council being dominated by the commonwealth, and used as a tool of its macroeconomic management policy. The operation of the Loan Council has undergone significant change in the last decade, but the common-wealth's capacity to exercise overall control over state and local sector borrowings through its financial dominance remains undiminished (see Saunders 1990).

Grants
The flip-side of the commonwealth's tax revenue dominance is the high degree of dependence of the states on grants to fund their outlays. Averaged across all

states, net commonwealth financial assistance in 1990–91 funded 38 per cent of state outlays, while state taxes funded only 32 per cent. The balance is comprised principally of the so-called net operating surpluses of trading enterprises, interest receipts, mineral royalties, and borrowings and other financing transactions.

Equally significantly, in 1990–91, for the first time in the post-war period, over half of the commonwealth's assistance was in the form of 'specific purpose payments' (i.e. tied grants). Education (including higher education which the commonwealth virtually fully funds), hospitals, roads and housing account for about 80 per cent of tied grants.

Few tied grants nowadays have stringent 'matching' requirements (housing being a notable exception), but commonwealth-state agreements and arrangements which surround them create often complex administrative interactions. Moreover, a vast network of 'Ministerial Councils' – comprised of relevant commonwealth and state ministers – has grown up to attempt to regulate and coordinate commonwealth and state interests within and across 'functional' areas. At last count, there were 46 such Ministerial Councils actively in existence, excluding the Premiers' Conference and Loan Council.

Unlike, for example, in Germany, where 'state' (and local) revenue shares in some major national tax bases (for example, income taxes) are constitutionally entrenched and in others (VAT) subject to negotiation, all grants to the Australian states effectively are determined unilaterally by the commonwealth, even the general revenue (untied) grants which, in effect, represent reimbursement to the states of income tax revenues collected by the commonwealth on their behalf. Between 1985–86 and 1990–91, as part of a fiscal restraint strategy, the commonwealth cut its grants to the states by over 15 per cent *in real* (i.e. price-adjusted) *terms.*

While the *distribution* of the commonwealth-determined total pool of general revenue assistance between the states and territories formally is determined at Premiers' Conferences, an independent statutory body, the Commonwealth Grants Commission (CGC), recommends the relative shares that would be appropriate to enable all states and territories to provide similar levels of services if they were to apply to similar levels of tax effort. The CGC initially was established in 1933 to recommend 'special grants' to the financially weaker states, but since the early 1980s has been given the role of recommending the general 'relativities' that should apply.

Premiers' Conferences
As will be clear from earlier discussion, the peak council of intergovernmental relations in Australia is the so-called Premiers' Conference – an anachronistic name, reflecting its pre-federation origins.

Premiers' Conferences are meetings of what Canadians would refer to as First Ministers – the prime minister (as chair), plus the six state premiers, and the chief ministers of the two mainland territory governments. Although somewhat dated, the most recent extensive analysis of Premiers' Conferences in Australia is in Sharman (1977). As our discussion of the Hawke initiative will make clear, we see these conferences from a somewhat different perspective from Sharman. As a

consequence of Australia's high degree of 'vertical fiscal imbalance', regular annual (usually one day) conferences have had as their principal agenda item discussion of federal financial arrangements for the next fiscal year, and sometimes beyond. Occasional *ad hoc* 'special' conferences have been called to discuss other issues (in recent years, for example, housing cost problems) where the commitment of political leaders is required to enable resolution of cross-jurisdictional issues of high political saliency: on the whole, however, the establishment of arrangements, and the resolution of conflict, in major policy and functional areas has been left to Ministerial Councils. There has been no formal secretariat for the conferences and, financial arrangements apart, agenda items have been determined on an *ad hoc* basis. As will become clear, however, the role, significance and *modus operandi* of Premiers' Conferences has been changed as a consequence of the recent new federalism initiative.

As executive intergovernmental forums, Premiers' Conferences have a high profile. They represent a formal federal structure with the capacity to function as a consensus building institution between governments. The strength of the Premiers' Conference as an institution, tends to reinforce the intergovernmental process itself, which is tied, inevitably, to the fragmentation of compromised strategies and proposals established by commonwealth and state governments during their negotiations. It is at this level that the boldness of the 1990 proposals for change, along with perception of the associated costs and benefits, becomes most explicit. Since it is the actual reform policies which are likely to change the shape of the institution itself, this is the focus of our attention.

THE HAWKE NEW FEDERALISM INITIATIVE

Federalism rediscovered?

In his July 1990 speech, then Prime Minister Hawke proposed the establishment of processes to secure a 'closer partnership between our three levels of government – commonwealth, state and local' (Hawke 1990). A joint commonwealth-state review should be established, he suggested, with participation from local government, 'to move by sensible, practicable steps to get better cooperation within the framework of the Federal Constitution as it stands'. The prime minister also identified a second (logically subsequent) task: 'to apply the spirit of national cooperation in a new approach to reform of the Constitution itself'. He had less to say about this, though he indicated a desire to test an approach 'in which proposals for constitutional change emerge from collective discussion and deliberation' in order to achieve 'a more contemporary Constitution' over the next decade.

The prime minister's speech identified his goals for the federalism review to be 'to improve our national efficiency and international competitiveness, and to improve the delivery and quality of services governments provide'. What he was proposing, he argued, was 'not to prescribe the changes to be made' but rather 'a process through which change can be achieved – a process which will produce results'. The principal agenda items the prime minister identified included:

— microeconomic reform in the management and pricing policies of essential public sector business enterprises;

— greater consistency or uniformity in state regulations which impact on interstate and international trade in goods and services;

— rationalization and reductions in the duplication of effort in the provision of services, particularly in health and welfare initially;

— greater cooperation and coordination between governments in the pursuit of the commonwealth's national social justice strategy;

— increased cooperation and coordination in industrial relations systems, with the possibility of transferring ultimate responsibility to the commonwealth;

— greater common ground and common purpose, and agreed processes and guidelines, in relation to environmental issues; and

— changes to commonwealth-state financial arrangements (especially the role of tied grants) and arrangements for Premiers' Conferences.

To tackle these issues, the prime minister called for a series of *Special* Premiers' Conferences. The first, to be held in October 1990 in Brisbane, the state capital of Queensland, he suggested, should determine state and commonwealth priorities, and set in motion processes, backed by shared political commitment, to enable decisions eventually to be made jointly. (The location carries some significance in itself. In recent years, at least, Premiers' Conferences, regular and special, all had been held in Canberra, the national capital.)

A commonwealth-state steering committee for the Brisbane Special Premiers' Conference was proposed, chaired by the head of the prime minister's department and with equivalent state government representation; and the prime minister announced that a special unit was to be created within his department to provide support to the steering committee and to coordinate commonwealth involvement.

Notwithstanding his claim to be proposing processes rather than offering prescriptions, the prime minister's view of the shape of his preferred new federalism came through clearly. Two particular passages of the speech stand out. First (in relation to microeconomic reform and regulatory issues), the prime minister claimed that 'there will be less impediment against trade of goods and services between (the members of the European Community) in 1992 than there is now between the states of Australia'. Second (in relation to service delivery and to other issues of responsibilities), he observed that, in addition to putting the existing system into 'better order', it is important to make sure that 'as we take up new challenges, and governments undertake new commitments, we don't create a new set of problems, through overlapping and duplication of responsibilities'. Greater uniformity in regulations and standards and less intertwining of involvements in service delivery clearly were important parts of his vision.

Shortly after the prime minister made his speech, New South Wales Premier, Nick Greiner, a Liberal party state leader, responded in a speech evocatively entitled 'Physician, Heal Thyself: Microeconomic Reform of Australian Government' (Greiner 1990). While acknowledging the effort and compromise that would be required, and identifying a number of caveats about the approach to be

adopted, Premier Greiner offered strong support for the prime minister's proposal.

By reference to general principles on which he believed broad agreement would be reached (and by analogy with developments in Europe), Premier Greiner claimed that the commonwealth should have 'the powers necessary to ensure efficient operation of a national economy', and to ensure 'a single regulatory regime for Australian business', including possibly exclusive jurisdiction over industrial relations.

By the same token, however, he claimed it to be equally clear that the states are, or should be, pre-eminent in service delivery, and argued that 'much of the commonwealth's intrusion into health, education and housing has been driven largely not by a legitimate interest in social welfare policy or other issues of legitimate national interest, but simply by a desire to woo votes'. Accordingly, the commonwealth should vacate these areas to allow a more 'competitive federalism in the delivery of services [to] produce greater diversity and increased wealth for the Australian people'. And, where 'a clear structural separation of responsibilities' is not possible, there need to be 'shared management principles to govern the design of programs and to minimise duplication and wasteful overlap of duties'.

The *coordinate* thrust of Greiner's suggested reforms is clear. Indeed, at one stage, he explicitly used the language of 'layers of government'. In this, and in the equally evident efficiency and managerialist underpinnings of his approach, Premier Greiner drew on a discussion paper circulated by the New South Wales Cabinet Office for the previous (June 1990) annual Premiers' Conference, which concluded that

> the most desirable outcome would be agreement between the commonwealth and the states on roles and responsibilities, accompanied by transfers where appropriate, so that governments delegate responsibility and/or vacate specified areas and the responsible government is left to manage without interference. Introduction of modern management practices should also help . . . (NSW 1990).

The similarities between the Cabinet Office papers' analysis, and especially its proposed processes for reform, and the prime minister's subsequent initiative is remarkable. If not remarkable, it is, nonetheless, coincidental, we have been assured by some who would be in a position to know.

The October 1990 Special Premiers' Conference

Between July and October 1990, a series of meetings of the steering committee of senior officials established by the prime minister and premiers resulted in the preparation of an agreed extensive agenda and a substantial volume of background papers for the Special Premiers' Conference which was held in late October 1990.

By anyone's account, the October Conference, which included a representative of local government, was more successful than most had anticipated. 'Reforming intergovernmental relations' was the stated aim of the processes, and leaders 'declared their intention to use this unique opportunity to maximise cooperation, ensure a mutual understanding of roles with a view to avoidance of duplication and

achieve significant progress towards increasing Australia's competitiveness' (Communiqué 1990). Fundamentally important is the fact that, in addition to a few specific 'action' decisions, there was agreement to guiding principles, backed with political commitment, for further work to be undertaken by committees of senior officials for presentation to, and discussion by, further Special Premiers' Conferences.

The principal outcomes of the Conference can best be summarized (if nonetheless incompletely) under four headings: processsses; principles; specific agreements; and financial arrangements.

Processes: (At least) two further Special Premiers' Conferences (in 1991) were planned to review progress and/or make decisions based on reports from groups of expert officials. Future arrangements for 'regular' Premiers' Conferences were changed, too. Two annual meetings were proposed – one (usually) limited to the traditional financial issues, and at least one other. Moreover, it was agreed that Treasury officers should have regular meetings, twice yearly, in advance of the annual (financial) Premiers' Conference and Loan Council meetings. The commonwealth (instead of slipping its offer under hotel doors for the premiers early on the day of the conference) committed itself to distributing its offer of financial assistance two days before the Premiers' Conference, on a confidential basis. Premiers' Conferences, moreover, are to be serviced by an ongoing commonwealth-state steering committee, and a unit within the commonwealth Department of the Prime Minister and Cabinet is to be revived to focus on intergovernmental relations issues and to coordinate prior consultation where there are financial implications for the states of commonwealth decisions.

Principles: The working groups of officials established by the conference, especially those examining financial arrangements, regulatory reform, and service delivery, were to be guided by broad principles and frameworks agreed to by the premiers and prime minister. While they recognized broad mutuality of interest, the principles contained a number of unargued constraints and contentions, and contestable assertions or propositions, however.

Specific Agreements: There were a number of specific agreements in relation to microeconomic reform, regulation and service delivery. For example, there was agreement to establish a National Rail Freight Corporation; to give consideration to an extension of the interstate electricity network; to establish a national heavy vehicle registration scheme (and full cost recovery for road use by heavy vehicles) either by a referral of powers by the states to the commonwealth, or through complimentary legislation; and to introduce uniform food standards. There was, too, promotion of the importance of microeconomic reform of government trading enterprises, and of mechanisms for facilitation and monitoring of these reforms. There was also explicit support for the negotiation of an Environmental Agreement between the commonwealth and the states, to identify the appropriate roles and functions of the commonwealth and the states and facilitate a cooperative national

approach. Agreement was reached, too, that there should be a minimum of 'mutual recognition' of product standards and of occupational licensing and professional qualifications, and a working towards uniformity where this was deemed to be essential.

Financial Arrangements: Two working groups were established to focus on commonwealth-state (and local) fiscal relations. One was given a broad remit to review issues which arise from the current division of taxation revenue sources between governments, and the associated degree of 'vertical fiscal imbalance': in its work, this group was particularly required to take existing 'fiscal equalisation' procedures as given and to avoid recommendations which would reduce the commonwealth's capacity to exert effective macroeconomic management control. The second group was designated the task of examining how the share of *tied* grants to the states and local authorities could be reduced working in consultation with other groups considering issues of so-called overlap and duplication in service delivery.

We turn to question critically the nature, philosophy and long-run consequences of the Hawke new federalism initiative shortly. However, measured against the apparent intentions and expectations of the prime minister, premiers and officials who promoted the initiative, there can be little doubt that it got off to a flying start.

From the commonwealth's perspective, agreement to establish a National Rail Freight Corporation and support for other microeconomic reforms, including an attempt to reolve interstate differences in regulations relevant to strengthening the national economy, represented an increase in its capacity to implement its 'national' agenda. From the perspective of the states, agreement to a mutually supportive approach to politically painful microeconomic reform offered a means of diminishing the force of entrenched interest groups; and there was a prospect both of gaining greater central agency control over a number of policy areas where commonwealth-state agreements had cut across their authority, and of gaining greater budgetary flexibility.

However, attitudes were not universally euphoric. South Australian Premier John Bannon was decidedly conservative in his approach to the October Conference, apparently because he saw the joint commonwealth-state extension of the commonwealth's microeconomic reform agenda as potentially redistributing economic power and activity to the more populous eastern states.

Equally significant, then commonwealth Treasurer, Paul Keating, displayed a distinct lack of enthusiasm, including at the press conference at the end of the formal proceedings. Subsequent events – in particular, his (eventually successful) challenges for the prime ministership – tell part of the story.

Premier Greiner, moreover, pointed to the need to recognize that 'the empires would strike back' – that is, that the vested interests, including line ministers and their departments, would attempt to undermine both the immediate achievements of the conference and the processes established to turn agreed principles and procedures into future action – a warning which subsequent events proved to be of considerable force.

Origins of the federalism initiative

As yet, there are no authoritative statements from 'insiders' to draw on to provide a full account of why the prime minister (and premiers) chose that time, and that procedure, to attempt to restructure intergovernmental relations. Nonetheless, while inevitably somewhat speculative, it is possible to identify at least some of the important political and economic factors which undoubtedly had an influence. In brief, these would include:

— increasingly severe reductions in overall financial assistance to the states, a simultaneous increase in the share of tied grants, and a bursting of the protective bubble that had been provided to the states by strong own-source revenue growth from an asset price and property boom, which led to a more than symbolic revolt by state premiers at the (regular) 1990 Premiers' Conference;

— growing recognition by the commonwealth not only of the political limits to fiscal restraint and of the relative urgency of greater microeconomic reform, but also of the limitations on its capacity to deliver such reform on its own authority;

— frustration by central agencies at state and commonwealth levels over the limitations imposed on their managerialist redesign of budgetary decision-making and administrative arrangements by intergovernmental relationships, agreements and arrangements;

— the emergence of a new group of political leaders in most states committed to public sector restructuring, and frustrated – personally and in policy development – by the entrenched ways of managing intergovernmental transactions; and

— according to many accounts, the (then) prime minister's need for a reform monument to seal his place in Australian political history.

A cooperative approach to federal reform with managerialist intent appeared to offer a way of addressing all these things, including especially the commonwealth's desire to encompass the states in pursuit of its microeconomic reform agenda, the states' desire for increased budgetary flexibility, and central agencies' desires to extend their authority within their own jurisdictions. The recognition that a negotiated approach was essential to achieving intergovernmental *reform* (IGR) does not seem, however, to have been accompanied by similar recognition that on-going *inter*governmental *management* (IGM) also requires much greater appreciation of the inevitability of interdependencies and of the need for negotiation of objectives and approaches than is true of its *intra*governmental counterpart.

THE HAWKE INITIATIVE, FEDERAL THEORY AND THE REAL WORLD OF IGR

Against this background, we turn now to a critical analysis of the principles and perspectives which underlay the 1990 new federalism, and of the processes through which it was pursued.

While acknowledging the importance of the *political* purposes of the reforms discussed in earlier sections, our critique derives from a somewhat different perspective. This perspective is based on questions about the normative virtues and practical validity of the 'federal principles' stated or implied by political leaders

in supporting the review and choosing the terms of reference for working parties of, officials; and, relatedly, on questions about the validity of the implicit assumptions about how the federal system in general, and intergovernmental relations in particular, really works.

In broad terms, it is our view that the thrust of the initiative was largely 'managerialist' and 'coordinative' in intent, 'executive' in procedure and, arguably somewhat 'unfederal' in its practical implications. This is not to say that we view the impact of the exercise as either negligible or wholly undesirable. Given the relative paucity of 'federal theory' underpinning analysis of intergovernmental relations in Australia, and the limited exposure of key officials and political leaders,   ' and analysts, to practical understanding of the Australian federal system as it really operates, we view the whole exercise as a highly valuable learning experience – revealing, *inter alia*, how the constituent parts of the system can combine to resist change which threatens to undermine its strengths as a vehicle for participatory political action.

It must be acknowledged at the outset that, compared to previous Australian 'new federalisms', and some attempted elsewhere (for example, by Reagan in the United States), the Hawke new federalism initiative avoided being totally unilateral, top-down and unprincipled. It was in fact, the third explicit 'new federalism' pursued in Australia within less than twenty years. The Whitlam (Labor) government (1972–75) and the subsequent Fraser (Liberal) government promoted alternative (centralist and decentralist, respectively) federalisms. (See Jaensch 1977; Mathews 1977; Head and Patience 1989). Although initiated by the prime minister, and reflecting the commonwealth's frustration at the limits to its political and administrative capacity, the process intentionally was 'cooperative', involving all (state as well as commonwealth) political leaders and senior officials, and incorporating representatives of local government.

However, the agreed review processes, while neither unilateral nor strictly top down, were essentially internal and highly central. Neither 'independent experts' nor representatives of non-governmental interest groups were included on working groups, and no explicit *formal* broad consultative mechanisms were established. Of course, in various ways, a wider range of 'interests' would be reflected in decisions of political leaders; but the processes themselves were not designed to be broadly participatory in any meaningful sense. Line agencies were held as much at arm's length as possible, and the processes did not provide opportunities for the participation of legislatures in the development or approval of new agreements, other than where specific legislation was required.

Likewise, although the initiative can hardly be said to have been unprincipled, it is not clear that the principles that informed the way in which it proceeded were derived from an appropriate or sustainable appreciation of the nature and virtues of federal systems of government. The language of Australia's political leaders contained   ' little appeal, even implicitly, to the principles of preserving liberty and enhancing citizen participation which Americans would hold dear. There were some references to competition and diversity, but these focused on *horizontal* (interstate), not *vertical* (federal-state) competition. To the extent that a 'model' of intergovernmental

relations can be discerned, it is one based on the presumption that a more coordinate (or at least coordinative and managed) style of federalism is to be preferred: neatness and tidiness were claimed to be a prerequisite for accountability; the advantages of multiple access were ignored.

In contrast to the United States, where interjurisdictional interaction has been argued to be a beneficial consequence of federalism, in Australia the growth of intergovernmental relations typically has been seen rather more as a way of overcoming *problems* in the allocation of functional and political jurisdictions between governments. Influenced by the work of Wheare (1946), and notwithstanding the dominant role of concurrency in Australia's constitutional design, the predominant attitude has been that the extensive presence of intergovernmental relations signals a breakdown in the principle that spheres of government should be independent (coordinate) to the greatest extent possible. Untidiness and complexity in federal arrangements, on this view, are to be deplored, and intergovernmental relations are to be seen as cooperative mechanisms for minimizing, or at least 'managing', overlaps and conflict (Wiltshire 1990; but note Fletcher 1991a).

Recent Australian academic literature has begun the process of more carefully examining the federal system and intergovernmental relations, and offers a more sympathetic interpretation of their role and virtues (see, for example, Painter 1988; Gerritsen 1990; Chapman 1990; and Galligan, Hughes and Walsh 1991) despite the persistence of what, to some, are 'anomalies and absurdities'. Among practitioners and politicians, however, acceptance of the virtues attached to the federal organization of power, in current form, remains relatively weak.

The American federal tradition

In assessing both the virtues and the likely consequences of the reform processes initiated in Australia in 1990, it is appropriate to test them against an understanding of federal principles and the realities of federal practice. Notwithstanding a mixture of ambivalence and antagonism among Australian commentators to it, the American federal tradition, we believe, provides some valid elements of the foundation for a critique.

The participatory nature of the federal structure, along with the virtues of liberty, has a history of open debate in the United States. Elazar (1990), for example, recently probed the meaning of 'federal liberty' throughout the 20th century 'American experience', arguing that Americans have had to defend their values in an effort to maintain them against attempts by the federal government to consolidate its power in the states through the use of various intrusive measures.

The most significant expansion of the federal government's role in the United States occurred through the growth in grant programs (Peterson *et al.* 1986). The 1960s was the period of the 'Great Society', and the decade saw the 'transformation of intergovernmental relationships' and what Conlan (1988, p. 7) refers to as rhetoric with 'a powerful current of managerialism'. The federal government greatly expanded grant-in-aid programs and developed new federal regulatory laws over state and local governments which were unprecedented, particularly those concerned with environmental issues (Conlan 1988, pp. 86, 87).

In Australia, the expansion of the 'national' government has been largely through its ability to increase fiscal centralization; fiscal centralization already poses a threat to the *constitutional* autonomy of the states. We see the managerialist thrust as, potentially, an erosion of state *political* autonomy because it is used by governments to applaud commonwealth administrative efficiency in dealing with 'national' imperatives over state government responsiveness to local demands. Managerialism is likely to be less threatening to constituent governments in the United States than in Australia: in that country, local political communities have the power to fire the shots. Disputes about American federalism have been focused on perceptions of the *shape* of federalism whereas federalism has been 'unloved' in Australia, and disputes have targeted the basic foundations of federalism itself (see for example, Sawer 1967). Unlike the Australian experience, in the United States there is real value explicitly attached to a *non*-centralized federal system.

While Americans have learned to live with, if not love, the chaos of their system, from time to time they have had to fend off threats of bureaucratization of their political freedom. For example, during the early part of this century, according to Elazar (1990, p. 11), 'American definitions of governmental efficiency changed in the direction of bureaucratized pyramids'. One proponent of the administrative pyramid approach in America was Luther Gulick, whose model of administrative structures was completely closed to any form of political influence from 'outside' (Gulick and Urwick 1937).

Americans reject what Elazar terms 'illegitimate' monopolies 'even if they are efficient from a commercial point of view' (Elazar 1990, p. 11). Americans define legitimacy with reference to 'liberty, equality, and happiness' and established a tradition of 'federal liberty' which can be used to measure the present strengths of their federal institutions (Elazar 1990). Australians have no such measure, at least, not in any historical sense. There is, nonetheless, a federal principle in Australia.

Liberty and the Australian point of view

The federal organization of government in Australia, as Galligan and Uhr (1990) argue, is quite clearly set out in the preamble of the Constitution to reflect the expressed wishes of *the people*:

> The people of New South Wales, Victoria, South Australia, Queensland, and Tasmania, humbly relying on the blessing of Almighty God, have agreed to unite in one indissoluble Federal commonwealth under the Crown of the United Kingdom of Great Britain and Ireland, and under the Constitution hereby established (p. 310)

The federal principle (see Davis 1978), or federal 'factor' (Chapman 1990), is the organizing element of government in Australia. However, most discussions dealing with federal principles in Australia are generated by a concern with constitutional aspects at an executive level (Davis 1978) or with financial arrangements: not surprisingly, the commonwealth, more often than not, is seen as the centrepiece (but note Sharman 1990; also Fletcher 1991b).

The amalgam of parliamentary responsible government and a federal structure endows Australia with a mixture of majority rule and consensus democracy. The consensus model of democracy is a direct result of the federal arrangement and, according to Lijphart's classification of 21 democracies, federal consensus stands 'in sharp contrast to the majoritarian characteristics of the Westminster model' (1984, p. 23). A recent Australian analysis by Galligan, Knopf and Uhr (1990) suggests not only that *both* aspects should be given due recognition, but also that already 'the range of federal institutions is grounded in principles of federal democracy that are more pervasive than the majoritarian tendencies often associated with parliamentary government. In fact, it is the latter that are grafted onto the former' (p. 65). This, they argue, ensures that although Australian intergovernmental relations and public policy is 'executive' in style, there is 'a highly fragmented and decentralized system of government with many of the institutional features that the American federalists argued was an institutional means of protecting individual rights and freedoms' (p. 65).

Liberty in American federalism has a revolutionary dimension and there is a strong competitive edge to this (see for example, Breton 1987). Elazar (1990) argues that liberty is associated with an open 'marketplace', itself legitimized through electoral, governing, legal and federal processes, and through the separation of powers. The last point has been problematic in Australia: nonetheless, the state and commonwealth parliaments are part of the federal structure and the dispersal of power through formal elections and federal institutions legitimates political transactions in Australia.

Albert Breton's (1987) analysis of similar mixed parliamentary/federal features of the Canadian constitutional system, contends that the checks and balances inherent in the federal structure are more potent than those associated with parliamentary responsible government: indeed, he suggests that their potency should be maximized by requiring that federalism be as 'competitive' as possible. Competition is well suited to a federal environment where the diffusion of power encourages different governments to consolidate their authority and bid for their share of the national resource.

In a normative sense, competition contributes to our understanding of the principles of federalism: principles are key indicators to the process of government. Elazar (1987), for example, identifies federal principles with the way government authority is diffused and controlled by formal political institutions: 'Federal principles are concerned with the combination of self-rule and shared rule' (p. 5). According to Elazar: 'The federalist revolution is among the most widespread – if one of the most unnoticed – of the various revolutions that are changing the face of the globe in our time' (p. 6).

This gives American federalism a dual revolutionary character: first, because it obviously fits Elazar's broad model and, second, because the more specific American-style federal liberty resulted, partly, from a war with the British. Australia fits the broad revolutionary type of federal system but not the second type. This goes some way towards explaining the Australian identity crisis with respect to its constitutional system.

Canada also has an identity crisis, with Canadian federalism debates dominated by a tension between 'national integration' and 'provincial autonomy' (see Wagenberg *et al.* 1990). Canadian federalism has to be able to cope with, and preserve, the political culture of Quebec society and the rights of Aboriginal communities (see for example Behiels 1989). Canadians clearly accept that political life is dominated by 'federal-provincial' relations (see Bird 1985). Australian political life is also dominated by commonwealth-state relations, but policy-makers in Australia appear less clear about the significance of political details supporting their federal institutions.

The activities of the Australian states have political conditions attached to them which underwrite formal resistance to rapid change. In other words, a constitutional basis can be found for all the actions of governments in Australia but, *legal* functions do not always correspond with the measure of *political* acceptance demanded by commonwealth or state constituents. From a constitutional perspective, commonwealth powers in some policy areas may seem unambiguously clear but there are no guarantees that the commonwealth can, or will, use its powers to override state decisions if the state has a stronger political constituency than the commonwealth in deciding certain issues.

On some occasions this throws debates over government jurisdictions into confusion. Aboriginal affairs is one such example: the commonwealth government has constitutional jurisdiction over Aboriginal people but Aborigines are state citizens and some issues, such as Aboriginal land claims, or conflict over mining claims between the resource industry and Aboriginal communities, draws both commonwealth and state governments into the dispute. Given the risk of upsetting state provisions for the development of the mining industry the commonwealth is often reluctant to push its constitutional powers before the public spotlight.

Disputes over Aboriginal issues are commonplace in the state of Western Australia and there is a history of flash-points between Aborigines and the mining industry. Both the commonwealth and the state have an economic interest in mining; both governments have an Aboriginal Heritage Act and, consequently, they have concurrent powers over heritage decisions. When concurrency occurs, commonwealth constitutional powers automatically override those of the state – in theory. In reality, however, disputes between Aborigines and mining companies often have undesirable outcomes for governments, and the commonwealth, for the sake of limiting political damage to itself, is only too happy to turn away from using its constitutional powers (see Fletcher 1992).

State laws have political characteristics peculiar to their own regions and communities. These differences become apparent when the commonwealth attempts to alter state authority over state regulations and laws. These factors are often overlooked by zealous decision-makers and problems are bound to arise when administrators, particularly those with a poor understanding of the multi-jurisdictional aspects of the federal system, design policies with managerialist ambition, rather than political ambition.

There is, however, a basic liberal ethos in Australia, supportive of the federal principle. It is this federal orientation which bears the impact of the managerialist thrust generated by the Special Premiers' Conference processes.

The managerialist revolution

Overall, the federal structure of the Australian system of government makes it politically conservative, and change can result only from pressure by decisions of several representative governments clearly endorsed by their shared constituencies. Failure to recognize this has resulted from the fact that observations of the intergovernmental policy process in Australia have been conditioned by the desire, among analysts, as well as commonwealth governments, for a more centralized style of government (but note Sharman 1977, also Galligan 1989a). These views have shifted only slowly to a more realistic position in the literature over the past decade. For example, a recent focus by Painter (1991) on the 'federal effects' of state betting laws in Australia shows that, while state policy problems, highlighted by different state circumstances, may be resolved by uniform solutions, 'uniformity' is a state, rather than a commonwealth, initiative.

Similar blind-spots and wishful thinking occur in discussion of intergovernmental administrative reform. In broad terms, there are two main types of administrative reform corresponding to different economic and political purposes. The first, and most fundamental type, concerns changes to existing bureaucratic organizational and expenditure practices relevant to the administrative jurisdiction of a single sphere of government (the 'new public management'). Usually, it involves strengthening the power of central agencies, even if dressed up in other language. There is a substantial literature covering inquiries into administrative operations from this perspective in Australia, but even this type of reform is constrained in its successful implementation by the federal system.

The second type of reform arises from a desire by governments to extend or centralize power, including over the intergovernmental activities of their own agencies. However, more often than not, in seeking to achieve reforms which cut across jurisdictional boundaries, it is assumed that approaches and principles similar to those used for the first type of reform will be effective.

Most of the initiatives for this type of administrative reform have three main objectives: first, there is the desire by governments (usually the one doing the reforming) for a greater concentration of political power; second, governments are obliged to assess the operations of their own bureaucratic structures; third, governments have political motives for developing outlines for more cost efficient administrative functions.

In Australia, the principal beneficiary of a more neatly defined intergovernmental administrative structure probably would be the commonwealth government, since it is usually the commonwealth which battles to supplant the institutionalized authority of another government with its authority, or at least to encompass the authority of other governments within its own. The costs would be borne by Australian citizens, however, whose diverse regional needs are represented by several different governments.

New federalism, IGR and IGM

It is this sort of monogovernment-type approach, in our judgement, which most closely characterizes the Australian 'new federalism' initiative initiated in 1990. Both

commonwealth and states' political leaders and central agencies were seeking to extend their political and administrative jurisdiction both over their own functional agencies which exert 'independence' as a result of intergovernmental linkages and agreements (especially tied grants programs), and over policy spaces vital to their own political agendas, but in which their independent political and administrative decision-making capacity is constrained.

Despite some differences in emphases between leaders, a combination of difficult economic circumstances, budgetary stress and notable examples of regulatory and policy failure, produced a strong commonality of interest in 'restructuring' roles and responsibilities. The principal protagonists recognized the conflict between their broad political and administrative objectives and the both more diffused and more concentrated political and bureaucratic interests of the governments of which they were part, and sought to use their *combined* authority to fend off the entrenched 'empires'. Whatever deficiencies in the politics of interest group pressures those 'empires' may reflect, they also reflect the participatory aspect of the federal system which extends beyond voting for 'policy packages' at recurrent elections to include influence over policy design and service delivery by governments and agencies.

Claims that a clearer definition of roles and responsibilities and less complex administrative arrangements would improve accountability to the public, at best, is only half the story. If successful, attempts to 'separate' the roles of the various spheres of government within and between policy spaces would reduce opportunities for citizen access and retard the responsiveness of the political system which are positive virtues of federal arrangements. Equally, the coordinative character of policy and administrative arrangements proposed to grapple with the impossibility of complete separation involve attempts to increase management at the expense of politics, as has been observed increasingly of the growing emphasis on intergovernmental management (IGM) in the US (see Wright 1988).

To an extent, this perspective on the role and nature of IGM derives from the particularities of the American systems of federal grants-in-aid and regulatory mandates, with an intensified emphasis on managerialism as the levels of federal aid have been cut but the force of the mandates retained (Kincaid 1990). Australian perspectives – especially those promoted by the NSW Cabinet Office approach (NSW 1990) – perhaps draw more in concept on the German model of joint tasks. Even so, they implicitly ignore the structure of the German federal arrangements within which Germany's IGR and IGM arrangements are embedded, especially the direct role of the Länder in the federal legislature through the Bundesrat (see Leonardy 1991). They also overlook the literature pointing to severe problems with their joint decision-making model (see Scharpf 1988).

In any event, the dangers of attempting to 'depoliticize' federalism through managerialist approaches to IGR and IGM are well illustrated by the American literature. Citizen access and participation – politics in a real sense in federal systems – in influencing the design and delivery of programs is squeezed out as the role of politicians themselves is diminished in the interests of smoothly functioning integrated intergovernmental management arrangements.

FROM HIGH POINT TO LOW POINT: THE DEMISE OF NEW FEDERALISM?

Our critique notwithstanding, the twelve months or so following the October 1990 Special Premiers' Conference saw some remarkable occurrences resulting more or less directly from the new federalism processes. Their culmination, however, was the demise of Bob Hawke as prime minister, and his replacement by (former Treasurer) Paul Keating who had roundly attacked some of the apparent intentions, and the processes, of the federal reform initiative.

In July 1991, the second of the Special Premiers' Conferences called for by Mr Hawke was held. As with the October 1990 Conference, the outcomes were articulated in language emphasizing 'national' over 'jurisdictional' interests. Participants particularly reiterated the significance of increasing national efficiency and international competitiveness, and moving towards a single national economy. Indeed, the Conference Communiqué emphasized that the principal focus was on microeconomic reform: in the main, issues of financial arrangements, tied grants and roles and responsibilities for service delivery were discussed only in a preliminary way, with final reports to be presented to a third conference, scheduled for November 1991.

Particularly notable in the July meeting was the subtle introduction of *occasional* acknowledgement of the significance of fragmented authority, the interests of citizens and consultation with broader groups. Specifically, the discussion of Duplication of Services referred to 'integrating the legitimate policy interests of the commonwealth, states, territories and local government and achieving more integrated and more effective delivery of services to citizens,' and to the need for 'proper consultation with the non-government sector, which has strong interests in the service delivery area' (Communiqué 1991, p. 3).

These brief passages apart, however, the July 1991 Communiqué reflected the perspectives of the federal systems our analysis identifies with the Hawke initiative. The principal outcomes announced included agreement that:

— for people with disabilities, the states would assume full responsibility for accommodation services, and the commonwealth for employment-related services, with appropriate new state funding arrangements;
— models for mutual recognition of regulations and standards for both goods and occupation would be adopted, subject to the outcome of public consultations;
— a scheme would be established for national heavy vehicle registration and regulation, and for road-use charging, through a National Road Transport Commission;
— a commercially operating National Rail Corporation would be established with equity participation by the commonwealth and the states (except Queensland and South Australia);
— a National Grid Management Council would be created to encourage and coordinate development of the electricity industry in the eastern and southern states;
— a wide range of Government Business Enterprises would be subject to national performance monitoring and freed from borrowing controls;

— it would be desirable that an Intergovernmental Agreement on the Environment be established, and that a national EPA should be considered as part of the proposals; and

— alternative approaches to urban development should be promoted, including through governments cooperating in a range of demonstration programmes and projects (under the title 'Building Better Cities') to encourage urban consolidation and improve the quality of urban life.

So far as federal financial arrangements are concerned, the July 1991 Communiqué made three important observations. First, the new arrangements for financial Premiers' Conferences and Loan Council Meetings produced enhanced consultation and exchange of information in May 1991, and would be continued. Second, the prime minister and premiers agreed that, subject to establishing arrangements for coordination of fiscal policy, significant scope appeared to exist for greater devolution of taxing powers to the states without damaging the commonwealth's capacity to provide for (horizontal) fiscal equalization and for adequate national macroeconomic management capacity. Third, commitment to a substantial reduction of tied grants as a proportion of total commonwealth grants was reaffirmed.

Subsequently, bolstered by a report by a working party of commonwealth and state Treasury officers (Working Party 1991) which affirmed that a substantial increase in states' taxing powers need not damage the commonwealth's macroeconomic management capacity, the states presented to the commonwealth a package of proposals for the November Special Premiers' Conference, which, *inter alia*, involved a return to the states of power to vary personal income tax rates on their residents within a shared national personal income tax system (Premiers and Chief Ministers 1991a).

By the time the prime minister received the states' proposals in early November 1991, the idea of increasing the states' revenue raising capacity, indeed the whole Hawke new federalism process, had been savagely attacked in a speech, aimed essentially at winning support within the Labor Party Caucus, by former Treasurer, now prime ministerial contender, Paul Keating (Keating 1991). Prime Minister Hawke had no option but to reject the states' proposals. (See Walsh (1992) for a broader review of these events, a critique of the Keating speech, and speculations on the future of federal reform beyond the scope and time frame of this article.)

The states subsequently declined to attend the scheduled Perth Special Premiers' Conference and held their own meeting, without the prime minister, at which they repeated their proposals for a shared national income tax, for a Council of the Australian Federation as an on-going vehicle for reviewing and promoting federal reform, and for adoption of 'structural principles' to guide reviews of functional areas to avoid the danger of horse-trading defeating principled reform. They also committed themselves to completing a number of reforms, including 'mutual recognition' procedures, preferably with, but if necessary without, the commonwealth's involvement (Premiers and Chief Ministers 1991b). In early December 1991, Paul Keating finally captured the office of prime minister and, well into 1992, federal reform was suspended, at least while the new prime minister concentrated

his energies on preparing a strategy to promote economic recovery and growth.

The November Conference of Premiers and Chief Ministers was highly symbolic for the states and territories. Prior to the collapse of commonwealth/state negotiations over fiscal reform, the extent of state authority in the administrative realm of many policy issues pursued by the commonwealth had been more clearly recognized, by both the commonwealth and the states themselves. While the states overtly lamented the commonwealth's refusal to discuss proposed federal financial reform, they also openly crowed about their ability to reconcile their own diverse interests with a broader type of national 'unity' (Premiers and Chief Ministers 1991a, part A). Politically, the states remained divided over issues on their own reform agenda, but were keen to encourage a process partly comprised of a 'high-level decision-making forum through which national issues may be addressed'.

Notwithstanding that participation by the commonwealth is a crucial part of federal reform, the strength of the states became apparent, not only in competition over particular constitutional aspects of the division of power between the commonwealth and the states and in debates over the extent of shared roles and responsibilities but also because of unequal state/territory resources which increased competition between governments across all jurisdiction levels: this is what provides the fundamental incentive for state governments to challenge each other and the commonwealth.

Competition, however intense, encourages the development of different options, and compromise is a strong feature of intergovernmental competition in Australia. As part of political processes, it contributes to the political vitality of the various communities which, in turn, challenge each other over shares of political resources. The idea of competition has been constructed and refined by economists, such as Breton (1987) in Canada; and, in an explicitly governmental and fiscal sense particularly suitable to the Australian political scene, Walsh (1975) has suggested that the system of grants and resource allocation decisions regulate the performance of governments generally.

What the Hawke new federalism succeeded in doing in effect, was to channel the states' competitive energies into the collaborative development of a much clearer self-appreciation of their role, and of its significance, in the federal system, and of the features of federal arrangements (tax powers included) which were not supportive of that role. Their self-confidence was increased to the point where they were willing to 'walk out' on the commonwealth in support of their own perceptions of their significance.

Whatever we and others may think of the 'model' of the federal system that the states have developed and against which they have been willing to test the commonwealth's resolve, and whatever approach to commonwealth-state relations the commonwealth may attempt to adopt under prime minister Keating's leadership, a new dynamic has been brought into intergovernmental relations in Australia. We stand firmly by our view that, to date, its managerialist orientation is at odds with important parts of the federal principle; but we also see the (re)discovery and assertion by the states of their appropriate status in the federation as a positive sign for the future of federalism in Australia.

CONCLUDING COMMENTS

Without in any way discounting the sincerity of the principal players, we have suggested that the intentions of recent federal reform processes in Australia have been based on implicit models of the federal system which ignore, or under-emphasize, the factors which give federal systems their vitality and inner strength in practical terms, and their claim to virtue in terms of democratic principles. That is, they underplay the important role of providing shared political authority to two or more spheres of government not only to limit the coercive power of government but also, importantly, to increase the scope for citizen access or participation and the degree of responsiveness of government. Combined with strong managerialist theory, weak federal theory in Australia has served to produce a perspective on federal reform in which clarifying, specifying and, to the greatest extent possible, separating the roles of the different spheres of government is presumed to be the best (and perhaps only) way of making governments account-able to citizens/voters.

To an American commentator, drawing on their strong federal theory, the limitations of the principles which appear to have guided Australia's federal reformers would be clear. It would be equally clear to them that 'the federal system' would resist reshaping of the sort which Australia's political leaders envisaged, precisely because the system fragments authority and facilitates and encourages participation through multifarious channels.

Despite the fact that Australian intellectual and popular political traditions have placed less emphasis on – and, indeed, sometimes have been either ambivalent or antagonistic to – the virtues of federalism, and despite the fact that the Australian parliamentary system of government affects the style of both governance and participation, we believe that a valid critique of the Hawke new federalism can be based on a recognition of the role and significance of participation and respon-siveness in federal systems, Australia's no less than America's.

Indeed, over the period during which economic and political forces have been leading (arguably, almost inevitably) to an attempt by political leaders to reshape the federal system, Australia's literature on federalism and intergovernmental relations had been beginning to develop a new appreciation of the significance of federal theory to understanding the structure of and support for the Australian constitution and systems of government, and of the federal factor in understanding Australia's political and administrative processes in operation, and in encouraging responsiveness.

Had Australia's political leaders and public sector administrators had the benefit of greater exposure to these newer assessments of the Australian federal system, they, nonetheless, still may have chosen to initiate something like the Hawke new federalism reform exercise. Pursuit of their political objectives inevitably is constrained by the federal system in action; and they are constantly attempting to reshape the system to better suit their purposes, especially to clarify and extend their authority. Moreover, despite the doubts we have expressed about its intellec-tual underpinnings, we believe that very significant benefits have flowed from the

comprehensiveness of the reform agenda and work schedule initiated through the October 1990 Special Premiers' Conference.

For one thing, accelerated momentum unquestionably has been given to initiatives previously slowed or stalled by traditional rivalries, or simply not on the agenda because of lack of mutually supportive leadership from premiers and the prime minister. Many of these are *interstate* in character (for example, an integrated electricity grid and mutual recognition of standards, professional qualifications, etc.) and involve no necessary direct extension of the commonwealth's own authority; some (for example, the establishment of a National Rail Freight Authority) are commonwealth-state in character, do offer some extension of commonwealth authority, but do so on a shared basis and at a cost to the commonwealth in financial terms.

For another, though relatedly, the role of Special Premiers' Conferences as an explicitly cooperative mechanism for examining and initiating reforms to the federal systems is a remarkable and valuable innovation – one which sets this reform exercise significantly apart from previous new federalisms in Australia and elsewhere, and which provides a reference point for improvements in the overall style and quality of intergovernmental relations in Australia. Already it has led to changes in both processes and structures for the organization and conduct of regular (annual) Premiers' Conferences, and related meetings of senior officials, at which financial arrangements are discussed. Also, directly and indirectly, it has already led to beneficial changes in the structure and conduct of intergovernmental relations in other peak forums and throughout the system as a whole, and should continue to do so. Even if the *momentum* of the 'Special' Premiers' Conferences currently has been halted, the *direction* of change in the federal system has been shifted structurally.

From the viewpoint of the vitality of the federal system, moreover, the exploration and (re)discovery by the states of the significance of their role and authority in the Australian federal system and their increased recognition of federal arrangements which variously support and undermine their intrinsic significance is, in our perspective, a particularly valuable result of the recent reform processes. Ironic though it may seem, the strengthening of the states' perspective of their significance and authority is likely to be a critical factor in preventing the diminution of access, participation, and responsiveness that we have argued potentially was threatened by the initial motivations and design of the (1990) new federalism proposals.

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REVIEWS

THE MARKET AND THE STATE: STUDIES IN INTERDEPENDENCE

Michael Moran and Maurice Wright (eds.)
Macmillan, 1991. 259pp. £45.00 (cloth)

The relationship between the market and the state has become the central analytical problematic of political science since the decline of behaviouralism. The conjunction in the 1970s of the revival in social science of neo-Marxist and neo-Weberian state theory, on the one hand, and the rise in both Economics and Anglo-American party politics of neo-liberal and neo-classical market theory, on the other, set the scene for intense debates which have found a new relevance and immediacy across the academic/real world divide. This absorbing book is both illustrative of the breadth and depth of these debates, and a positive contribution to an understanding of many of the issues involved.

The book itself is really a kind of *Festschrift*, not for a particular scholar, but for the 40th anniversary of the founding of the Department of Government at the University of Manchester, and its authors all are (or were until recently) members of that department. The chapters fall into three main categories. Chapters 1–4 cover a range of topics in political philosophy: the role of the state in classical economics; the critique of markets in German Romanticism; moral issues in environmental regulation; and the roots of private property rights in Locke. Chapters 5–7 examine themes in traditional political science: participation in liberal democratic systems; the 'collapse of the power monopoly' in Eastern Europe; and electoral competition and democratic stability. And chapters 8–12 look at some issues in political economy (the sub-field in which the state-market debate is probably most developed): the state and economic development in Latin America; privatization in Africa; state support for and promotion of industrial research and development in advanced industrial states; attempts to move away from public monopoly broadcasting in Britain and Germany; and industrial and trade policy with regard to the steel industry.

Each of these chapters is excellent in and of itself. There is some unevenness, of course, as is inevitable in such a wide-ranging collection. Some topics are much narrower than others; some are pitched at a more introductory level, while others are more analytically sophisticated and/or more descriptively dense. But each is a useful and insightful contribution to its own particular field of specialization. Indeed, it is difficult to imagine a political science department which would not have several of its members who would want not only to dip into this book but also to use particular chapters for teaching. It is a must for library purchase (although its price will put it well out of the reach of individuals until it comes out in paper).

The problem is, of course, that the authors are rarely talking to each other – despite the fact that the papers all came from the same seminar series. With a few marginal exceptions, each is speaking to other specialists in his or her field. What is more, there is often little or no consistency across papers in the way that such essentially contested concepts as 'state' and 'market' are applied (or, indeed, on definitions). Although some references are made to debates on analytical frameworks in, for example, public choice

theory, the 'new institutionalism' in political science, the 'new institutional economics' or international political economy (the sub-fields where the main contemporary paradigmatic debates are taking place), there are no in-depth analytical chapters on these conceptual questions. The editors make a valiant attempt to compensate partially by an interesting and well-argued conclusion – the lack of an extended introduction presumably reflecting the problem of coherence characteristic of the *Festschrift* (especially when it lacks the usual focus on one scholar's body of work). Although the conclusion is a bit too little and too late, however, it is a very useful pointer to crucial paradigmatic issues and – sorry – should really be read first.

Despite these problems, however, this is not only a very good book overall, but one which will, I suspect, be frequently cited in years to come. The sum of the parts more than makes up for whatever weaknesses there may be in the whole.

Philip G. Cerny
University of York

IMPLEMENTING THATCHERITE POLICIES

David Marsh and R. A. W. Rhodes (eds.)
Open University Press, 1992. 212pp. £35 (cloth), £13.99 (paper)

This book of case studies addresses an important subject – policy outcomes or what happens after parliament has passed legislation. It also challenges the proposition that the Thatcher governments made radical policy changes. For much of the 1980s rhetoric from government and opposition held that the Thatcher governments had made a big difference, although evaluations differed about the consequences. The book is an 'Audit of an Era', and follows up an earlier study in 1985, *Implementing Government Policy*.

It is easy to confuse effectiveness with the release of government statements, White Papers, or even legislation. These may be the outputs of government, or of political activity, or of the parliamentary machine but no more than inputs to the world outside. Do they have intended effects on behaviour of, for example, wage-bargainers, teachers, local authorities or levels of economic productivity? The findings, not surprisingly, are mixed, but on balance dent the claims that the Thatcher governments achieved big changes.

A careful analysis of economic policy by Peter Jackson blows apart the boasts of an economic miracle and concludes: 'The UK economy has changed, but only at the margin. It has probably not changed at the core'. An impressive study of industrial relations by Marsh argues that many of the changes in industrial relations were largely an indirect consequence of government policy, that legislation was often not used (though Marsh may neglect the influence of laws actually being on the statute books) and that macro-economic developments (for example, rising unemployment) and the profitability of firms were more influential.

The saga of local government finance, particularly the poll tax, has been well chronicled and on no account does the government emerge with credit. The government had clear objectives – to cut public spending, roll back socialism, encourage the private sector and increase the accountability of local government to the voters. The Thatcher years witnessed over forty acts designed to shape the behaviour of local government and many of these were addressed to local finance. Rhodes shows that this plenitude of legislation was not part of a coherent plan but that many acts were designed to cope with the shortcomings of earlier legislation. He also demonstrates the degree to which some of the difficulties in implementation stemmed from a failure of prior thinking by ministers about the likely problems and a determination to ignore the views of local authorities and professionals.

In housing the government succeeded in extending home ownership, reducing the role

of local government but failed to increase the private rented housing sector. On social security the government was perhaps least successful in achieving its objectives, largely because of pre-existing entitlements to benefits, demographic trends (rising unemployment and an ageing population) and economic conditions. The government has done little more than tamper at the margin. Other chapters show that on the European Community the government has achieved very few of its objectives and on the environment done little more than provide symbolic reassurance.

The editors conclude that there has been radical legislation in the fields of housing, industrial relations and privatization. But the outcomes of the legislation are less impressive. Some objectives have been achieved at unforeseen and undesirable costs; for example, the boost to home ownership has boosted inflation and increased personal indebtedness, and some of the higher productivity gains were achieved through devastation of parts of the economy. The Thatcher revolution emerges more as tabloid hype than as solid achievement. To quote the book's final sentence 'The Thatcherite revolution is more a product of rhetoric than of the reality of policy impact'. The record of the Thatcher government appears to be like that of any other British government, one in which policy is often its own cause, the adjustment to or modification of an existing line; or largely shaped by circumstances outside of the government's control (particularly in defence, foreign policy and social security). The authors argue that the main reason for this shortfall between intention and accomplishment is that so little attention is paid to the problems of implementation.

The authors approvingly quote Sabatier's list of criteria for effective implementation. These include clear and consistent objectives, the availability of appropriate information and tools, control over the bureaucracy, support or acquiescence from affected interests and a stable socio-economic environment. The authors have little difficulty in demonstrating that most of these conditions are rarely found. No doubt governments can do better but the authors nowhere consider the feasibility of any government enjoying all these favourable conditions. How attainable are they in a democratic political order and pluralistic society? How might governments set about developing these circumstances? Without the presence of any of these conditions should governments simply do nothing? Given the many advantages which the Thatcher government enjoyed (large majorities in Parliament, a feeble opposition, the general disillusionment which followed the policies of the 1970s, and the support of much of the media) then one is tempted to say that intended political change is well nigh impossible. Yet the critical tone adopted in many of the chapters implies that the failures are largely those of the politicians.

Dennis Kavanagh
University of Nottingham

MANAGING PUBLIC SERVICES: COMPETITION AND DECENTRALISATION

Richard Common, Norman Flynn and Elizabeth Mellon
Butterworth-Heinemann. 152pp. £30.00

This is a timely book targeted primarily at public sector managers 'in all public services to help them run their organisations to the greater benefit of their users'. The aim is to 'assess the success of the policy measures undertaken for those parts of the public sector which have been reformed whilst remaining in the public ownership'. The main focus professes to be on structural change and the introduction of competition. In fact, the book also attempts, more ambitiously, to evaluate which organizations have successfully addressed change – from the perspective of the change innovators, the staff and the customers – in an endeavour to compile a good practice guide.

The book has its high points. Its approach of drawing on a limited amount of empirical work and the authors' 'existing knowledge' of a mixed bag of public services experiencing change – the police, London Buses Ltd., local and health authorities, four of the first executive agencies and the Department of Social Security – is pioneering in that it demonstrates some similarities in the nature of the challenges facing this mixed bag. Also, innovative and useful is its 'competitive spectrum' which places all the organizations considered at some point on the continuum of least competitive to most competitive and outlines variations in what competition means to those organizations at the different points of the continuum.

Otherwise, disappointingly, the book falls between two or more stools. It sets out to be a tool for public sector managers but would no doubt frustrate most managers. The broad brush approach of focusing on a relatively large number of organizations, on the whole, does not provide the depth or the insights to allow managers to learn from others' experiences. The price paid is, inevitably, a degree of superficiality. Indeed, it has resulted in some factual distortions. Examples include the statement that the Department of Social Security was split into a department and a group of executive agencies in April 1991 (p. 9). In fact, the Resettlement Agency was established in 1989, the Information Technology and the Contributions Agency in April 1990 and the Benefits Agency was established in April 1991. There is also no attempt to differentiate between the various 'types' of Department of Social Security's agencies. Equally, the book asserts that the agency targets only appear in the annual reports (p. 53) and are consequently only available at the end of each period. In fact, agency performance targets appear in the agency business plans published prior to each year's operations. The targets are also aired in advance in the House of Commons through inspired Parliamentary Questions. These are all fairly minor niggles but ones which are highly likely to irritate the audience for which the book is intended.

The authors also have to pay the price for being first in the field. A further main distortion results from the fact that the study does not consider the time dimension of decentralizing organizations – the first step is the structural change and the second, the development and refinement of the internal supporting structures including the management and financial management information systems. This does not all happen over night. The fact that some of the organizations looked at were only just entering the second stage of development will impact on customers and staff perceptions of the changes. It is difficult to know which of the book's findings will have longer term importance.

Patricia Greer
University of Bath

IMAGES OF POWER: HOW THE IMAGE MAKERS SHAPE OUR LEADERS

Brendan Bruce
Kogan Page, 1992. 192pp. £16.95

Serious readers of *Public Administratoin* should be warned that this book is to academic research as Jeffrey Archer novels are to English literature. It is, however, a cracking good read for anyone interested in what lies behind the behaviour and appearance of politicians.

It shows some signs of having been written in haste, in order to get the book out in order to catch the General Election last April. In fact – a small illustration of the author's lack of political antennae – it seems that he was taken by surprise by the calling of the Election so early in the year rather than the 'pundits'' widely expected date in June. He therefore missed the main peak of interest in the run-up to the campaign and was then swamped by coverage of the electioneering itself.

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It should be mentioned in this context that during the election campaign the author was highly critical of the Conservatives' communication strategy (no doubt earning the undying hatred of his former employers and colleagues in Conservative Central Office). He predicted doom and gloom and talked of the Conservative campaign being 'all over the place' – but, despite all that, the Conservatives actually won!

Notwithstanding his errors in forecasting, Mr Bruce's book is a valuable contribution to an area of public affairs which has not been given sufficient attention hitherto. Re-reading the text *after* the General Election was just as interesting and stimulating as doing so before the event. Indeed, hindsight adds an additional dimension.

To take just one example, the passage on 'Goebbels – the first real image maker?' inevitably mentions the techniques used to make the Nuremburg rallies such a success. Equally inevitably, one's memory goes back to the Labour Party's final 1992 General Election rally in Sheffield – an amazing, well-organized tour-de-force, tremendous cinema or television but, as it turned out, a great 'turn-off' for the man in the street. This leads one to the thought that if there is a single really memorable image of the Conservatives' campaign – generally recognized to be a communications disaster – it is the sight of the Prime Minister standing on a good, old fashioned soap box. This basic, almost homely, image stems from an idea of John Major himself rather than from the expensive media advisers brought into Central Office.

One wonders whether much of the costly image making is worth the effort. It is probably significant that, shortly after the General Election, in the local government elections the Conservative Party eschewed expensive television advertising – and their results were excellent. To some extent this must have reflected the lingering benefits of the earlier campaign's Parliamentary Political Broadcasts. But one is left with doubts about the value for money of expensive image-making exercises.

To the layman the 1992 General Election will be remembered for the emergence of a new species called 'spin doctors' whose job, put bluntly, is to manipulate the media. The Conservative Party had a number of staff allocated to this function and, because of their relative youth, they were christened by their media contacts (or colleagues or adversaries, depending on the nature of the relationship) as the 'brat pack'. One of the major virtues of Mr Bruce's book is that it puts the activities of these people in a wider context.

This includes the historical context since the author covers not just recent history such as the Nazi rallies and Richard Nixon's television appearances but also, for example, the use by Henry Tudor of the red rose as a kind of corporate logo. Active politicians and those aspiring to a political career can pick up a number of valuable technical hints. The present reviewer, for example, is wondering whether to get married, buy a Labrador dog and have nose-job (all in the cause of producing more appealing campaign photographs). He is also contemplating having yet another sinus operation, or at least some voice coaching to ameliorate 'nasal residence'. But since John Major suffers from the same impediment, perhaps one need not worry, after all.

Like it or not, this kind of trivia is all part of the image-making process and politicians ignore it at their peril. Moreover, since senior civil servants, local government officers, academics and other public sector folk are increasingly having to raise their public profile and pay attention to the public image of their organizations, they would also benefit from a good read of *Images of Power*.

If there is one criticism to be made of this work it is that, since the author was brought up in the world of advertising (and, so far as we are aware, had no active political involvement before being appointed as Director of Communications at Central Office) he does not really understand the subtleties of the political process. It is no surprise therefore, that his treatment of political lobbying is remarkably superficial and is best ignored. His lack of experience probably explains why there are two significant gaps in his book's coverage. In the first place, he pays scant regard to the substance of the *policies* which the image makers are selling, just as they are selling the *personalities* of individual politicians. This is a surprising weakness, since the author quotes from the widely respected Peter

Gummer who has referred to the most effective advertising as being the 'well aimed, *policy-based* attack on the opposition.. ' To those wishing to win elections there is a clue here which the author does not follow up: policies matter.

Secondly, the author has ignored the role of the voluntary workers in political parties; the importance of communicating with them as well as with the 'man in the street'; and the way party leaders can motivate the thousands of canvassers and 'knockers up' who go round on Election day making sure their supporters have voted by the simple technique of knocking on doors and asking. It was the 'Poor Bloody Infantry' of Conservative Party volunteers who won the last general election rather than the image makers. And it is worth quoting the final sentence of the author's Epilogue which puts it all in context – 'Great leaders are not created by others, they create themselves'. Which brings us back to Mr Major's soap box.

P. H. Twyman
Political Strategy Ltd.

THE WHITEHALL COMPANION 1992

Dod's Publishing and Research Limited, 1992. 1013pp. £125.00

This book invites the kind of cryptic superlative normally found on the cover of a paperback best seller. It may be a 1,000 page, hardback, work of reference but it is also 'indispensable, impressive, incomparable, and stupendous'. Sir Robin Butler employs less purple prose in his foreword:

> I hope that the era in which it was thought that the administrative machinery of Whitehall was best shrouded from public knowledge is long since past. Nothing is more infuriating for someone who has business to do with a government department than not to know where to start and to be passed from place to place, travelling hopefully but repeatedly disappointed in hopes of arriving at the right destination.
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> Now The Whitehall Companion, compiled with the help of departments and of the individuals who feature in it, is available to help you find your way round the bureaucratic jungle and also to tell you something about the senior residents of it.

The 1992 General Election heralded an increase in open government. The Cabinet Office has published both *Ministerial Committees of the Cabinet* and *Questions of Procedure for Ministers. The Whitehall Companion* is further evidence of the 'tone of the times' and provides for the first time a detailed map of Whitehall.

The *Companion* has six main sections. The section entitled Biographies A–Z provides information on 1000 top civil servants, chief executives, senior people in selected regulatory bodies and other public bodies, ministerial advisers, and staff in the No. 10 policy unit. The section on government departments describes the organization and responsibilities of ministers and senior civil servants within each department. Organization charts identify the officials and their major responsibilities. The *Companion* also provides their addresses, telephone numbers and fax numbers (where relevant). The sections on Parliamentary Offices, Next Step Executive Agencies, and Regulatory Organisations and Public Bodies provide the same information. Finally, the Indexes (name and general) are long, thorough and provide quick and easy access.

Dod's Publishing and Research, the Cabinet Office which arranged access, and the central departments which provided the information are all to be congratulated on their endeavours. The result is a guidebook of great utility to businessman and academic alike which should be on the shelves of every library in the UK.

R. A. W. Rhodes
University of York

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R. A. W. Rhodes
Department of Politics
University of York
Heslington
York YO1 5DD
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